

FAR EASTERN ECONOMIC REVIEW

Vol. III.

Hongkong, July 23, 1947.

No. 11

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THE NEW GOVERNOR OF HONG KONG

This week the Colony is acclaiming the arrival as Governor of Sir Alexander Graham.

Both in public receptions and in private gatherings the community expresses its spontaneous and sincere welcome both to Sir Alexander and to Lady Graham. They come as old friends of the Colony. The return of Sir Alexander as Governor to the Colony in which he started his administrative career, although not without precedent, is worthy of record in the history of Hongkong. The Colony which has followed with pride his distinguished career feels particular satisfaction that in the many and difficult problems which are crowding ahead it will have the guidance of a Governor who knows the Colony and has already an appreciation of the fundamental principles on which the future of the Colony depends.

The cataclysm of war which swept over the world has left the century old foundations of the Colony firm and unimpaired. Its rapid return to comparative peace and prosperity in a world that is still afflicted with turbulence and impoverishment is proof of its solidity. But it is not a question of rehabilitation only: like its many magnificent residences of the last century that now lie in ruins Hongkong will require on the old foundations an improved edifice adapted to the new and exacting conditions of its second century as a British Colony and to a greater and more prominent part as the focus of the commercial and cultural currents of the Western Pacific. Sir Alexander Graham in the years of his absence from the Colony has had experience of imperial and world problems in the Atlantic and South Pacific hemispheres and can look upon the problems of Hongkong with a wider vision of its destiny and purpose.

THE MUNICIPAL COUNCIL OF HONG KONG

One of the shapes of things to come in the Colony has already been outlined in fairly specific form by the despatch of the Secretary of State for the Colonies on the subject of a Municipal Council. The announcement was published the day before that on which Sir Alexander was scheduled to arrive. The responsibility for effecting this constitutional change had already been taken, and the measure to implement it will presumably be submitted to the Legislature and probably before the other reform is made to give the unofficial members a majority in the Council.

The building of the new Municipal edifice has been left to the guidance of a new Governor. It has been termed a great experiment which will inevitably have a tremendous effect on the future of the Colony, an effect may make or mar, and a heavy responsibility lies alike on Government and upon the civil consciousness of the residents of the Colony who cannot afford through apathy, disunity or unwisdom to risk a failure but must resolve to make it a success. Our new Governor is assured of the anxious and eager assistance of all who have the Colony's destiny at heart, but the task will require the united counsel of the responsible leaders of the community as well as of Government, and that unity must work from the beginning.

When it was first announced that it was the policy of His Majesty's Government to grant to the residents of the Colony a greater share in the management of their own affairs, there was due appreciation of the compliment to the Colony and of the confidence that the Home Government reposed in the community; there was also a natural feeling of pride and of the possibility of effecting many required reforms. From a practical point of view, however, there was considerable apathy amongst the multitude and anxiety

amongst the few that realised the possibilities and implications of the change.

The unifying policy of the Commonwealth and its economic and social development have brought not only the need for imperial guidance but also in some degree the sanctions for their acceptance. The anxiety in accepting this policy in full in the establishment of a Municipality lay in the realisation that to make it a success it was vitally necessary to adapt to local conditions the political and social forms of administration that were essentially the products of the West. Hongkong is in a different category from the British Colonies of East and West Africa. It is adjacent to China and is predominantly peopled by Chinese who have an ancient tradition of their own and whose development towards democracy in their own country is certainly not on Western lines. Their political methods avoid election by ballot; it is not in accordance with their notion of dignity and propriety to stand for open competition on the hustings. A Western system of election may impose considerable strain on their best and leading citizens who have the interest at heart not of conflicting political sections but of the unity of the cosmopolitan community of this Colony.

There are very few issues in politics upon which more exaggerated and indefinite ideas are entertained than that of self-government. When the views of the residents were canvassed by the Government a year ago very few realised the importance of the new responsibility placed upon the Colony. Many who should have known better had no vision beyond an enlargement of the jurisdiction of the Urban Council in sanitary and health matters. Few had any ideas as to the inevitable dislocation over a temporary period of the local Government Service or of the ultimate cost to the taxpayer. Those who took the matter seriously asked

themselves two questions: Would our political fabric be strengthened, would our local legislation be more respected, would our social, cultural and domestic life be enriched by the change? Was there a clear proof of a settled demand for the change by a majority of the thinking element of the community? Neither question could be answered definitely and without hesitation. Many of the responsible leaders of the Chinese as well as of the foreign community were not convinced of the advisability of a Municipal Council. They would have preferred a reorganisation and reform of the existing Government service to adapt it more to the present needs of the Colony.

The anxiety for the future need not, however, stand in the way of the success of the new Municipality. The International Settlement of Shanghai was for nearly a century well and successfully administered first by a Municipal Council of nine foreign merchants to whom were latterly added five Chinese members. The success of the Chinese representation in returning five leading Chinese citizens who had the confidence alike of both the Chinese and foreign communities and of the international character of the Council lay (1) in the fact that the Chinese were allowed to set up their own method of election by a kind of electoral college; and (2) in that the Council met and deliberated as a cabinet and that its decisions were given to the community as those of the Council as a whole so that the views of members could be frankly expressed in confidence without any possibility of their being affected either by popular favour or by outside political influences. In the international situation in China and through the wars and disturbances which might otherwise have torn asunder the loyalties of Councillors to the community as a whole these factors were vital. The lessons of experience will not, we hope, be neglected by Hongkong. The issues at stake are too great for an experiment without regard to a lengthy and successful example of the growth of a Western plant in the soil of the East.

The development of a civic consciousness and responsibility is good for the Colony; it is good for it to show an example to the new spirit of national self government that is bursting forth amongst the neighbouring peoples; it is good for our citizens not only to enjoy the privileges but to feel the obligations and duties of government and not to rely indefinitely upon the benevolent maternal control of the island country of Britain whose role is to guide rather than to dictate.

The Municipal Council is now in principle a fait accompli. It is now for the residents to accept the responsibility and for all good men and true of all nationalities to acquit themselves worthily in their new obligations and to forge from their international elements an instrument of self government which will be a model to their neighbours and a warrant for the future prosperity of this great port.

CONSTITUTIONAL CHANGES IN HONGKONG

ESTABLISHMENT OF A MUNICIPAL COUNCIL AND CHANGES IN THE COMPOSITION OF THE LEGISLATIVE COUNCIL

The Secretary of State for the Colonies announced in Parliament on July 23 that he has given his approval to the detailed proposals submitted to him by the former Governor of Hongkong, Sir Mark Young, for the revision of the Constitution of the Colony of Hongkong.

Sir Mark Young's despatch of October 22, 1946, in which his proposals were embodied, and the Secretary of State's despatch of July 3, 1947, are published below.

Correspondence between the former Governor of Hong Kong, Sir Mark Young, and the Secretary of State for the Colonies concerns two important constitutional changes in Hong Kong.

The two proposals, which have now been approved, are, first, the establishment of a democratically elected Municipal Council and second an alteration in the proportion of official to unofficial members in the Legislative Council.

(1) It is proposed to delegate to the Municipal Council all the functions at present exercised by the existing Urban Council (i.e. public health and certain kindred matters) with the addition of responsibility for the Fire Brigade, public parks, gardens and recreation grounds, the licensing and control of places of amusement and the licensing of vehicles. In course of time other responsibilities will be delegated to the Municipal Council, including education, social welfare, town planning and public works. A Commission (on which the Municipal Council will be represented) will be set up to make recommendations to the Colonial Government as to when and how these other functions should be delegated to the Municipal Council. The geographical extent of the Municipal Council's authority will be the whole of Hong Kong Island, Kowloon and New Kowloon.

The Municipal Council will consist of thirty members. Of these ten will be elected by the Chinese electorate, which will be divided into ten wards (six in Hong Kong Island and four in Kowloon), each ward returning one member. Ten members will be elected by the non-Chinese electorate formed into a single constituency. The remaining ten will consist of representatives nominated by certain public bodies; these bodies and their representation on the Council will be as follows:—Chinese Chamber of Commerce (one Chinese), the recog-

nised Trade Unions (two Chinese), Hong Kong University (one Chinese), the Hong Kong General Chamber of Commerce (two non-Chinese), the Hong Kong Residents Association (one non-Chinese), the Kowloon Residents Association (one non-Chinese), and the Unofficial Justices of the Peace (one Chinese and one non-Chinese).

Provision is made to ensure that of the ten non-Chinese members at least one will be a Portuguese and one an Indian.

In prescribing the qualifications for electors and members of the Municipal Council no distinction of race or nationality has been made, but those who are not British subjects must have resided in the Colony for a certain minimum length of time. Women are equally eligible with men.

Qualifications for an elector are as follows:—

- (a) Age at least 25 years.
- (b) Ability to speak and write English or Chinese.
- (c) Either a property qualification (ownership or tenancy of property on which rates of at least \$200 per annum are paid, there are also certain alternative property qualifications) or liability to jury service or statutory exemption from jury service.
- (d) Residential qualification; for British subjects, one year, for non-British, six years out of the preceding ten years.

Qualifications for a member of the Municipal Council are the same as those for an elector with two additions viz. a member must be able to speak, read and write English and his residential qualification, if not a British subject, must be ten years out of the preceding fifteen years.

Members of the Municipal Council will be elected for a term of three years.

(2) The second of the constitutional changes is a reduction in the number of official members of Legislative Council. Hitherto the Council has consisted of nine official members, excluding the Governor (who presides) and eight unofficial members. The number of official members is now to be reduced to seven, the number of unofficials remaining unchanged.

THE DESPATCH OF OCTOBER 22, 1946 BY SIR MARK YOUNG TO THE SECRETARY OF STATE FOR THE COLONIES, MR A. CREECH-JONES:—

Sir,—In accordance with the instructions conveyed to me in your predecessor's despatch No. 6 of the 4th May, 1946, I have during the last five months examined in consultation with representatives of all sections of the community in Hong Kong the best methods of giving effect to the declared intention of His Majesty's Government to give to the inhabitants of Hong Kong a fuller and more responsible share in the management of their own affairs.

2. I now have the honour to forward certain recommendations which are based on those consultations, and which, although they cannot be said to represent the unanimous wishes of the community or even the strongly expressed desire of any large section of it, may be regarded as carrying the assent of the majority of those who have displayed an interest in the subject.

3. Before I give an account of the consultations that have taken place or discuss in any detail the various points which are covered by my recommendations, it will perhaps be convenient if in the two following paragraphs I summarise these recommendations very briefly.

4. My principal recommendation is that a Municipality shall be established for Hong Kong Island, Kowloon, and New Kowloon; that it shall represent the Chinese and non-Chinese communities in equal proportions and shall be constituted as to two thirds of its membership by direct election on a moderately wide franchise, and as to the remaining one third by nomination carried out by certain unofficial bodies; and that certain of the important functions at present exercised by the Government of Hong Kong shall be transferred to this body.

5. I also propose that certain modifications be made in the constitution of the Legislative Council for the purpose of giving

ing a more specifically representative character of the unofficial element in that Council and of increasing the actual proportion of unofficial as compared with official members.

6. As reported in my telegram No. 12 of the 3rd May, 1946, the statement which you authorised me to make concerning the revision of the constitution was duly announced on the 1st May at the ceremony of the re-establishment of Civil Government. The announcement had a favourable reception in both the English and the vernacular press.

7. I then detailed a senior officer of the Government for the special duty of assisting in the collection and collation of the views of the community and in the necessary planning and formulation of my recommendations. The officer whom I selected for this task was Mr. T.M. Hazlerigg, C.B.E., M.C., and I shall have occasion more than once in the course of this despatch to refer to the services which he has rendered as my helper and adviser in this matter.

8. As a preliminary step in the consultations which I was now to hold I addressed letters on the 29th May, 1946, to a number of representative bodies, both Chinese and non-Chinese, inviting them to give an outline of their views on some of the questions involved in the proposed revision of the constitution.

9. The replies of the representative bodies whom I invited to give their views were on the whole helpful, and in some cases much care and trouble were devoted to drawing up proposals for consideration. On the other hand more than one important body found cause to comment on the indifference shown by the majority of their members, and the attitude of the general public was to some extent illustrated by the fact that only a dozen letters were received in response to the invitation to members of the public. The majority of these were unrelated to the question of constitutional reform and only one contained any constructive suggestions.

10. On the 28th August, 1946, after a careful consideration of the views which had been expressed, I made a broadcast address on the subject. I announced that the result of my enquiries up to that time had been to show that the establishment of a Municipal Council and the transference to it of some of the functions of the Government were generally regarded as being the most satisfactory method of giving effect to the intentions of His Majesty's Government, and that I was accepting this as a basis for the next stage of my enquiry. I then outlined specific proposals on the formation of a Municipal Council and the main questions involved therein.

I made it clear that these proposals were tentative in character and that they were intended to serve as a basis for discussion. At the same time I both invited the submission of further written representations and also stated that I intend to ask representatives of all shades of opinion to discuss orally with me in the immediate future the many matters which would have to be determined.

11. During the month of September, with Mr. Hazlerigg helping me, I held discussions on the whole question of constitutional reform, and in particular on the proposals for the establishment of a Municipal Council, with representative individuals and associations, both with those who had already submitted their views in writing and with others. The general result of these discussions and of the comments which have appeared in the Press on the proposals contained in my broadcast has been to confirm my belief that the establishment of a Municipality, on a model not differing greatly from that which I originally proposed, will prove to be the most appropriate and satisfactory form of political development for Hong Kong. At the same time both the discussions and the comments in the Press have brought to light various points in which the original proposals were capable of being materially improved upon and I have no hesitation in saying that the decision of His Majesty's Government that the people of the

Colony should be fully consulted at every stage of the preparation of proposals for constitutional development has had most satisfactory practical as well as political results.

12. I pass now to the details of my recommendations relating to the proposed Municipality.

13. A single Municipal body is proposed. There has not been a single voice raised in favour of separate municipalities for the Island of Hong Kong and the mainland of the Kowloon Peninsula.

With regard to the New Territories, which is mainly rural but contains some small townships, it is generally, but not universally, thought that it would be undesirable to bring these within the administrative area of a Municipal Council at any rate in its early stages. I concur in this view. The interests of these rural districts are well served under the District Officer system and it would be difficult to ensure such representation as would be likely satisfactorily to protect these interests in a Council which would be mainly preoccupied with urban affairs.

It must be recognized that the exclusion of these rural districts from the Council's administrative area will give rise to a number of problems if the duplication of staffs in essential services such as roads and water supplies is to be avoided. Similarly most careful consideration will have to be given to the arrangements for education and for the maintenance of medical and sanitary services in the New Territories when these services are transferred to the Council. I have no doubt however that when the time comes it will be quite possible to arrive at satisfactory arrangements for the continuance and expansion of the existing services in the New Territories by co-operation between the Central Government and the Municipal Council.

14. There are wide differences of opinion as to the number of members to be appointed to the Council. My original suggestion was that it should consist of forty eight members.

The numbers suggested by others have ranged from fifteen to one hundred, but the weight of opinion is distinctly in favour of a smaller number than that proposed by me. The suggestion that there should be forty eight members has been opposed on two grounds. The first that a Council so composed would be unwieldy and unworkable, and the second that it is unlikely that forty eight men able and qualified to serve would be forthcoming. When suggesting this number I had in mind two main considerations. The first was that there should be an adequate number of elected representatives for wards which in all would contain considerably more than a million persons. The second was that I felt that a substantially smaller number would involve the Councillors in so much work on the Council's Committee that many valuable men might not come forward as candidates because of the likelihood of excessive demands on their time. It has been suggested that this latter difficulty might be met by keeping the number of actual Councillors relatively small and building up the Committee by the co-option of persons who are not members of the Council. I do not favour the suggestion that persons outside the Council should be co-opted to the Council's Committees. I am doubtful whether suitable non-members would come forward and, even if they did so, they would lack the prestige of Councillors and this very lack of prestige by the individuals might in the public mind detract from the prestige of the Committees themselves. The case against any very substantial reduction in the numbers is, I think, strengthened by the fact that in its early days the Council will necessarily comprise many who have little or no experience of local Government in any form. Thus the number of experienced men for service on Committees is likely to be extremely limited and the best for which one can hope is that there will be a sufficient number to act as mentors for the inexperienced members.

Nevertheless I recognise the force of the argument that a Council consisting of forty eight members would be unwieldy, and

that it is essential to aim at 'workability.' I have in mind also the consideration that if the original Council consists of a number which proves to be unmanageable it will be difficult to make any reduction, whereas if it proves desirable to increase the numbers after the Council has gained experience and assumed its full functions, an alteration in this direction should present no great difficulty. On these grounds my revised recommendation is that the Council should consist of thirty members.

15. As was to be expected there have been some divergences of views as to the proportion in which the different races should be represented. My original proposal was that the Council should represent the Chinese and the non-Chinese communities in equal proportions. I am glad to say that this view has met with a considerable measure of agreement. Suggestions have been made that in view of the fact that the Chinese constitute ninety eight per cent of the population they should fill a much higher proportion of the seats in the Council. On the other hand it has been proposed that the non-Chinese should be in the majority. It is of interest to note that the exponents of these two differing views have been by no means exclusively Chinese in the first case or non-Chinese in the second. I adhere to my original proposal, and recommend that if the Council consists of thirty members, as I have recommended above, fifteen should represent the Chinese and fifteen the non-Chinese communities.

16. There has been little controversy on the subject of the method by which Councillors are to be selected for appointment. My proposal that two thirds should be directly elected and one third nominated by professional or other bodies has met with a sufficient measure of agreement to enable me to proceed, as I should do in later paragraphs of this despatch, with detailed recommendations both for the setting up of electoral machinery and for assigning the right of nomination to appropriate bodies.

17. Much thought has been devoted by most of those whom I have consulted to the question of the qualifications of Councillors. It is clear that a Councillor must possess all the qualifications, detailed in paragraph 24 below, which are required of an elector of the same race but there are certain additional requirements which it is necessary to consider.

(a) The weight of opinion is that no person under thirty years of age should be a Councillor and that women should be eligible.

(b) There is a sharp divergence of opinion as to whether members of the Council should be required to possess British Nationality. The view of the majority favours my original proposal that membership should be open to persons of any nationality. Having regard to the fact that approximately eighty per cent of the inhabitants are not of British nationality I do not think that the wishes of His Majesty's Government would be met if membership were confined to those of British nationality.

(c) It is generally agreed that if Chinese who are not British subjects are to be admitted to membership of the Council a lengthy residential qualification should be required for them. Varying periods, amounting in some cases to as much as twenty years, have been suggested.

My original proposal was that residence for six years out of the last ten should be required for both Councillors and electors but after hearing many views on this point I have come to the conclusion that for Councillors the period should be lengthened and that residence for not less than ten years out of the fifteen years preceding nomination is a proper requirement.

(d) On the other hand, in the case of British subjects, whether of British or of Chinese race, no longer residential qualification is considered to be necessary than that required for electors who are British subjects, that is to say a total period of residence of not less than one year since attaining the age of

twenty three years.

(e) It is in my opinion desirable that the non-British European and American communities should be allowed to be represented on the Council. In their case as in the case of British subjects a long residential qualification would exclude valuable representatives and I consider that the length of residence required might be the same as for British subjects.

(f) I have reconsidered the question of requiring that candidates for election as Councillors should have had their place of residence or of business for a stated period in the electoral division for which they stand. This is thought to be undesirable since there may be divisions in which no suitable candidate is likely to be found. I agree that the requirement is unnecessary. It is, however, desirable that a candidate who stands for election to represent a division on the Island should at the time of nomination reside or have his place of business on the Island and that a candidate for election by a division on the mainland should have a like connection with the mainland.

(g) To the foregoing qualifications must be added the ability to speak, read and write the English language.

18. There is practical unanimity of opinion that the term of office of a Councillor, whether elected or nominated, should be three years, and that Councillors should be eligible for re-election or re-appointment. With this I agree.

There is some divergence of opinion as to whether all the Councillors should retire in a body every third year or whether one third of the Councillors should retire each year. It has been observed that if Councillors are required to retire in a body there might be too marked a lack of continuity. I feel that this objection is overcome by the fact that a proportion of the retiring Councillors would in all probability be re-elected or re-appointed. Moreover the revision of electoral rolls and the holding of elections every year would be extremely costly and would make heavy demands on the Council's staff, while the

preservation of the desired balance between races and nationalities would be somewhat difficult if one third of the Councillors retired each year. I am therefore of the opinion that the Councillors should retire in a body every third year.

19. Although is some responsible quarters the opinion has been expressed that the Chairman of the Council should be appointed by the Governor, the more general opinion is that the Council should elect its own Chairman (or Mayor) and Vice-Chairman (or Deputy Mayor) from amongst its own members. I agree that the Chairman and Vice-Chairman should be so elected, and I consider that they should hold office for one year and should be eligible for re-election.

20. Opinion is almost unanimously against the payment of ordinary members of the Council, but it is generally felt that the work of the Council will make such heavy demands on the Chairman's time that the Council should have power to vote either a salary or an allowance which would serve to compensate him to some extent. I agree with this view.

21. There is a division of opinion as to whether the official language of the Council should be English or whether the Council should be bi-lingual, both English and Chinese being used. Advocates of bi-linguality are of the opinion that persons of value as Councillors will be excluded unless the use of Chinese is permitted, but others are of the opinion that there are so few Chinese residents who would possess the other necessary qualifications and who do not know English that only relatively few persons who could make any valuable contribution would be excluded. There is no doubt that the use of Chinese in addition to English would more than double the time taken by the meetings of the full Council and of the Committees. The provision of interpreters would be a costly matter and the translation into Chinese of the minutes of meetings and the documents with which Committees would be required to deal would involve both time and expense. Among the younger generation of the Chinese, and

particularly amongst those who have participated in the public life of the Colony either by serving on public bodies or on the Committees of the numerous charities, ignorance of the English language is so rare that I feel that any loss of the few who speak only Chinese and who might be able and willing to serve would be far more than made up by the gain in expedition of the Council's work. I am accordingly of the opinion that English alone should be the official language of the Council.

22. I turn now to consideration of the actual methods by which Councillors are to be selected. As I have stated in paragraph 16, my recommendation is that two thirds, that is to say twenty, of the members shall be directly elected, and that the remaining ten members shall be nominated.

23. Dealing first with the method of selection, I will set out what I consider should be the qualifications of voters and will then discuss the manner in which the franchise should be exercised.

24. (i) Age.—Voters should be not less than twenty five years of age. This is regarded by the Chinese as the age of responsibility, and there is a general measure of agreement with this proposal, although other age limits have been suggested.

(ii) Sex.—Women as well as men should be entitled to vote.

(iii) Literacy.—It is generally agreed that all electors should be able to read and write English or Chinese. The inclusion of persons without this qualification would make the work of registration almost impossible.

(iv) Race.—In the case of the qualifications required of Councillors it was contended that all should be British subjects and it is also contended, though not so strongly, that all electors should be British subjects. Such a requirement would probably disfranchise three-quarters of the population and thus defeat the intention of His Majesty's Government. In my opinion the franchise should be open to persons of any nationality.

(v) Property qualification or alternatively Jury Service qualification.—It will be necessary in my opinion to insist that a voter should possess one of these two qualifications. Details of this proposal are given in the enclosed note which has been prepared for me by Mr. Hazlerigg.

(vi) Residential qualification.—Here the same considerations apply as those which I set out in paragraph 17 (c), (d) and (e) above when dealing with the question of the residential qualifications for Councillors. For Chinese who are not British subjects I propose that the residential qualification of voters should be fixed at six years residence in the Colony out of the preceding ten years, and for British subjects, non-British Europeans, and Americans, who are otherwise qualified to vote, my suggestion is that the requirement should be not less than one year's residence since attaining the age of twenty three years.

(vii) Disqualifications.—The usual disqualifications such as conviction of a felony, conviction of an offence under the electoral law, lunacy, etc., should debar persons from exercising the vote. There should be no disqualification on the grounds of occupation; officials of the Government and of the Municipality itself, though not eligible to stand for election or to be nominated as Councillors would be entitled to vote.

25. In connection with the proposed residential qualification for Chinese subjects, some special provision is required in order that those persons who left Hong Kong during the period of the Japanese occupation should not be penalised. I suggest that some such proviso as the following should be attached to the definition of the residential qualification required both for voters and for candidates for election or nomination, who are Chinese subjects: Provided that any period of absence from the Colony during the years 1942, 1943, 1944 and 1945 shall be reckoned as a period of residence in the Colony for the purposes of this provision if the claimant can show that he was resident in the Colony for a total period of four years during the years 1936 to 1941

clusive and that he has resided in the Colony for one year since August 1945.

26. I come now to the difficult and complicated questions of method of preparation of the registers, the determination of electoral wards, and the general manner in which the franchise of both Chinese and non-Chinese electorates shall be exercised. My recommendations on these points are set out summarily below. For the considerations on which these recommendations are based I am indebted to the diligent research and to the clear perception of Mr. Hazlerigg, to whose memorandum on the subject I invite reference.

27. These are my recommendations:

(a) All electors should be registered. There should be two separate registers, one for those of Chinese race and the other for those of non-Chinese race. A single Registering Officer with the necessary staff would be responsible for preparing and maintaining these registers. Admission to the registers would be on application to this Officer and the form of application would set out the applicant's qualifications and specify the register to which he claimed admission.

(b) For the Chinese electorate there should be six wards on the Island and four on the Mainland, the boundaries of which would be so fixed by the electoral law as to ensure, as nearly as may be, representation proportionate to the populations of the respective wards. It is essential that the constitution should provide the means for a review of the circumstances of the administrative area of the Council, the alteration of the boundaries of wards and the creation and definition of new wards and also for the inclusion in the administrative area of parts or all of the rural areas which will at first be excluded. In matters of this nature the final decision should be with the Governor in Council.

(c) For the non-Chinese electorate there should be a single constituency with ten seats. The ward system suggested for the Chinese electorate would be inappropriate owing to the fact in that in many of the most den-

sely populated districts there are virtually no non-Chinese residents.

(d) Just as on the total electorate of the Colony those of Chinese race would be overwhelmingly preponderant, so on the non-Chinese electorate those of British race might well, as is shown by paragraph 6 of Enclosure 7, outnumber all others of non-Chinese race.

It is regarded as desirable that special provision should be made for ensuring due representation of the local Portuguese and Indian communities.

I do not think it is desirable to become involved in the complexities which would be entailed in the preparation of separate registers for these small sections of the community and therefore propose that the electoral law should be so framed as to provide that if no Portuguese candidate or no Indian candidate received a sufficient number of votes to bring him within the ten candidates heading the poll, then the Portuguese or Indian candidate, as the case might be, who secured the majority of votes cast for Portuguese or Indian candidates respectively should be declared to be elected irrespective of the number of votes secured by him and should thus displace in the list of the ten candidates who would have been elected by reason of securing the highest number of votes the candidate or candidates securing the lowest numbers.

(e) Representation of Europeans of British race, of Europeans not of British race, and of United States citizens of European race need not be specifically secured by any arrangement similar to that noted in the preceding sub-paragraph. It will be open to the whole non-Chinese electorate to choose any candidates who may stand for election and it will also be possible for such persons to enter the Council by securing nomination.

28. The foregoing paragraphs give an outline of the method whereby it is proposed that twenty persons shall be elected to membership of the Municipal Council. The next question for consideration is the method by

which the remaining ten members shall be nominated.

29. When I published my original proposals, which contemplated a Council consisting of forty-eight members, of whom sixteen would be nominated by Chinese and non-Chinese bodies in equal proportions, I asked for advice and suggestions as to the nominating bodies. As a result a number of bodies have been suggested, of which I consider that the following are the most suitable. These bodies, assuming that they are finally selected, should be empowered to nominate the specified number of members belonging to the race group set after their names:

The Chinese Chamber of Commerce, 1 Chinese.

The Recognised Trade Unions, 2 Chinese.

The University of Hong Kong, 1 Chinese.

The Hong Kong General Chamber of Commerce, 2 non-Chinese.

The Hong Kong Residents Association, 1 non-Chinese.

The Kowloon Residents Association, 1 non-Chinese.

The Unofficial Justices of the Peace, 1 Chinese and 1 non-Chinese.

It has been suggested from more than one quarter that the power of appointing some of the nominated members should be assigned to the Governor and that this power should be exercised after the result of the elections and of the nominations by public bodies has been ascertained, in order that inequalities may be redressed in favour of any section of the community which has failed to secure adequate representation. I am inclined to think that this is not necessary, and if this is so it would clearly be a flaw in the system to insert an unessential provision which could be regarded as detracting from the principle of true and direct representation. But I think it should be provided that if any of these bodies fails to nominate by the appointed date a person or persons who are properly qualified for membership of the Council the power to appoint shall be transferred to the Governor.

It might also be desirable to refrain from designating the nominating bodies in the statutory provisions constituting the Council and to provide that they should be selected by the Governor-in-Council who would be empowered to vary them from time to time as changed circumstances might require.

The due representation of the working classes presents a most difficult problem. We have no system of registration resembling that of national registration in the United Kingdom, and this fact combined with the impermanence of residence among the working classes and the fact that the majority occupy cubicles rented from the tenant of a floor who is himself the under-tenant of the principal tenant of the house, makes it impossible to devise any "householder" qualification which would enable the working classes to be enrolled in the electoral register and at the same time exclude the possibility of widespread personation. I therefore regard the power of nomination by the Trade Unions as of high importance for securing representation of the working classes.

30. I now come to the question of the functions and responsibilities which the Municipal Council should be empowered to discharge, to the method which should govern the transfer to it of functions now discharged by the Colonial Government, and to various questions relating to Municipal finance, to the acquisition of Municipal property, and to the staff which the Municipal Council will employ.

31. There was a very satisfactory measure of agreement with the suggestions which I made in August as to the responsibilities to be undertaken by the Council and I can adhere to them with practically no modification. I recommend accordingly that the function of the Hong Kong Municipality shall comprise the following:

The functions which are now discharged by the Urban Council established under Ordinance 7 of 1935. These include the maintenance of public health in relation to food, the control of town cleansing, conservancy, nuisances, and domestic sanita-

tion, and the licensing of certain premises and trades.

Public Health and Sanitation in general (with the possible exclusion of certain hospitals)

Education.

Social Welfare.

Town Planning.

Public Works, including Water Supply, Roads, Drainage and Buildings.

The supervision of public utilities and the control of franchises relating to them.

Fire Brigade.

Parks, Gardens and Recreation Grounds.

Places of Amusement, licensing and control.

Licensing of Vehicles.

Various other licences.

32. There is almost universal agreement that there should ultimately be a transfer of wide powers to the Municipal Council but that because it will be an untried and inexperienced body the transfer should be gradual.

At its inception it should be charged with the responsibilities of the existing Urban Council and certain other duties can be assigned to it forthwith. These are:

The Fire Brigade,

The Parks, Gardens and Recreation Grounds,

The licensing and control of amusement,

The licensing of vehicles.

I advocated the transfer of these responsibilities immediately upon the establishment of the Council.

33. The transfer of the other responsibilities mentioned and the determination of the extent of the Council's authority in financial matters would necessarily be the subject of full and careful planning in which it would be necessary for the Government and the Council to participate.

I consider that it would be desirable for a Commission to be appointed under the Commissioners Powers Ordinance, 1886, to institute and conduct an inquiry and to report on the measures necessary to effect the desired transfers.

There will, however, be much preparatory work which can be done by the services which will be affected by the proposed transfer and, if you should signify your assent in principle to the transfers suggested, I propose to give instructions that this preparatory work should be commenced.

34. In my broadcast statement I proposed that certain revenues should from the outset be handed over to the Municipal Council and that further transfers of revenues or grants in aid would be contingent on the assumption by the Council of transferred services. I indicated that the Municipality would be the rating authority and would also be responsible for the collection of certain taxes, and that the aim would be to ensure that the Council was supplied with funds adequate for its requirements and, subject to audit and to the requisite assent of the Legislature in the case of new taxation, to give the Council the fullest possible control over Municipal finance. There is no doubt that the public would feel that the shadow and not the substance had been given if the Municipality were not not given a wide control over Municipal finance. It will naturally fall within the purview of the Commission to which I have referred in paragraph 33 to deal with the question of providing adequate finances for the Municipality *pari passu* with the transfer of responsibilities.

In order that there may be no unnecessary duplication of accounting staffs I should propose to ask the Commission to consider whether during the transitional stage a system could be evolved under which the machinery of collection by sub-accountants and by the Treasury could continue as heretofore, the product of the various sources of revenue assigned to the Municipal Council being credited to a Municipal Fund in the Colonial Treasury, wherefrom disbursements would be made by the order of the Council. In some cases, such as the licensing of vehicles, the transfer of the collection of revenue would be simultaneous with the transfer of the responsibility undertaken, but it would probably be a convenience and saving of expense to

the Council if the actual receipts could continue for the time being to be paid into the Colonial Treasury.

The same considerations would apply to the actual collection of rates. Subject to the enactment of the necessary legislation, the Assessor's Department could readily be transferred to the Municipality but it would still be a saving of expenses to the Municipality if the rates were paid into the Colonial Treasury as heretofore (and credited to the Municipal Fund) and this would also be a convenience to the members of the public who are accustomed to paying both Rates and Crown Rents at the same place. The cost of the existing Treasury is relatively small in proportion to the revenue handled and it might well be that some permanent staff-saving arrangement could be made for the joint user by the Central Government and the Municipality of the same machinery for collection and disbursement.

35 I consider that any loan projects of the Municipality should be submitted to and receive the sanction of the Central Government and you will doubtless require that any such project should also be submitted to you.

36. I shall be glad if you will decide whether the Municipal accounts should be subject to audit by the Colonial Audit Department, or whether professional audit should be allowed. In the latter event I consider that the appointment of the auditors should be subject to the approval of the Governor.

37. It will be necessary to place under the control of the Council the movable and immovable property requisite for the effective conduct of Municipal affairs. As regards movable property, such as vehicles, stores, etc., in the majority of cases there would be an out and out transfer by way of gift to the Municipality. The land and buildings which would be required by the Municipality belong to the Crown and I assume that it would be the wish of His Majesty's Government that these should be leased to the Municipality at a nominal rental for the period of 75 years renewable in the case of the Island and the ceded portion of the Kowloon Peninsula and on the usual condition as to the duration of the term for that part of the

administrative area of the Municipality (i.e. New Kowloon) which would lie within the boundaries of the New Territories. I consider that it would be desirable for the terms of transfer to contain a provision that the Municipality should not sell or otherwise dispose of any land or buildings transferred for Municipal purposes without the consent in writing of the Governor, and further that if any land or buildings ceased, in the opinion of the Governor, to be used for the purposes for which they were transferred, or for other suitable Municipal purposes, then such land or buildings should revert to and become the absolute property of the Crown.

38. The actual provision of the lands and buildings which will be required by the Municipality from the moment of its inception is a matter which, in view of the present shortage of accommodation in Hong Kong, will be attended with considerable difficulties. It is quite certain that the town planning schemes which the Municipal Council will have to consider and decide upon in probably the first year of its existence will include a plan for the construction of a worthy civic centre with adequate accommodation for the various activities of the Council including an appropriate meeting hall. In the meanwhile it will be necessary, though by no means easy, for both meeting place and offices to be assigned to the Council from existing premises in the hands of Government or to be taken on rent from private owners. Preparatory steps to this end will be taken by the Government as soon as general approval has been given to the proposed institution of a municipality.

39. It is clear that, after the transitional stage, the engagement discharge and superannuation of its employees will be a matter for the Council, with the possible proviso that the engagement and discharge of certain key officers, such for instance as the Council's Chief Health Officer, shall require the approval of the Governor. This latter question is one on which the Commission which deals with the transfer of functions will be in the best position to advise. As I stated in my broadcast proposals, the Council in the exercise of its powers of appointment will have an opportunity of giving effect to the

widely expressed desire that a greater number of posts in the administration and better opportunities for advancement should be made available for locally recruited persons.

40. The institution of Municipal Government will involve either the secondment or the transfer of many officers of the Civil Service to the service of the Municipality. It is difficult to forecast what may be the attitude of the service in general towards these two alternatives but I think it possible that in the case of locally recruited personnel transfer may prove popular, while in the case of those recruited in the United Kingdom it is more than probable that there will be a preference for secondment as preserving a wider field for promotion. It will be necessary to formulate conditions which will safeguard the terms of service, prospects of promotion and pension rights of the officers concerned and after a preliminary exploration of the subject by a Governmental Committee this matter might well be referred to the Commission on the transfer of functions envisaged by paragraph 33.

41. There is one other question to be considered in connection with the staff of the Municipality. It has been represented to me by Mr. Hazlerigg and others with more experience of Municipal Government than myself that it is essential that the new body should from its inception have the services of a Town Clerk or similarly named official who must be a lawyer with local government experience. It is thought that the first occupant of this office should be selected in the United Kingdom and should be in a position to take up his duties before the actual constitution by election and nomination of the Council.

I am a little reluctant to recommend that the Council should be committed, before it comes into existence, to the appointment for a considerable period of one of its most important officials; for I assume that it would be difficult for such an official to be appointed from the United Kingdom on anything but a moderately long term contract. The alternative, however, which is that the Council should begin its work with the services of a seconded Government officer as Town Clerk or General Secretary, is one which it might not be easy to arrange,

having regard to the specialised qualifications which are thought to be required. The question is one which you will doubtless be able to decide in the light of the experience of other Colonial Municipalities.

42. I come lastly to the question whether the Municipality should be subject to any form of external control. In several quarters the opinion has been expressed that the Governor or the Governor-in-Council or the Legislative Council should have a right to veto any decision of the Municipal Council or to insist upon action being taken which the Council has declined or is unwilling to take. It has also been suggested that all by-laws enacted by the Municipality should be subject to confirmation by the Legislative Council. On the other hand there are grounds for holding that within the sphere assigned to it by the constituting enactment and by such orders as may be made thereunder by the Governor-in-Council for the transfer of services from the Central Government to the Municipal Council, there should be no special powers reserved either to the Governor or to the Legislature which would have the effect of detracting from the powers, the authority, and the responsibility of the Municipal body.

My own view is that it is of great importance that the fullest responsibility should be exercised by the Municipality within its allotted sphere and that it should have the most complete control over its own affairs. I recommend therefore that no power either of veto or of certification should be reserved to the Governor or to the Governor-in-Council, and that the regulations, rules and by-laws of the Council shall not be subject to the provisions as to laying on the table of the Legislative Council or to the general powers of the Governor-in-Council contained in sections 40 and 41 of the Interpretation Ordinance, 1911. It is a corollary of this proposal that the constitution of the Municipality should be framed in such a manner as clearly to preclude it from engaging in any form of activity which is not within its sphere.

If the above recommendation is accepted there will nevertheless remain the possibility of a certain measure of control. In the first place the validity of the Council's by-laws and the con-

stitutional character of its actions will be liable to be challenged in a Court of Law. Secondly, if the Municipal Council enactment provides, as I have suggested above, that the transfer of services from the Central Government to the Municipal Council shall be effected by means of Orders made by the Governor-in-Council, it will be legally possible for the Order of transfer to be rescinded by the same Authority, with the result that the responsibility for the service would be resumed by the Central Government. And thirdly it will necessarily be within the power of the Legislative Council, subject to His Majesty's powers of disallowance, to amend the Municipal Ordinance, in the direction of reducing the powers of the Council or of annulling the effect of its past actions. Only the most exceptional circumstances would justify either of the two latter methods of reversing the decisions of the Council and of abrogating its powers, and I recommend that it shall be an instruction to the Governor that the prior sanction of the Secretary of State shall be obtained before any such rescinding Order is made by the Governor-in-Council or any such amending legislation is introduced into the Legislative Council.

43. My second recommendation, as I stated in paragraph 5 above, is that certain modifications shall be made in the constitution of the Legislative Council for the purpose of securing in that body a more direct and a proportionately increased representation of the unofficial community.

44. At the present time, as you are aware, unofficial members of the Legislative Council not exceeding eight in number are appointed by the Governor in pursuance of Instructions from His Majesty given through the Secretary of State for the Colonies. It has been the practice for the Governor in making his recommendation for the appointment of two of these members to invite two bodies namely the Hong Kong General Chamber of Commerce and the unofficial Justices of the Peace to nominate one member each and to submit for Instructions the names of the two persons so nominated. This practice finds no place in either of the Instruments relating to the Constitution of the Legislative Council namely the Letters

Patent and the Royal Instructions. My present proposal is that the principle shall be both embodied in the Constitution and extended, and that provision shall be made for four of the Unofficial Members of the Legislative Council to be directly nominated, or in the event of more than one candidate receiving support, directly elected, one each by the two bodies mentioned above, and two by the Municipal Council.

45. Concurrently with this change I recommend a reduction in the number of official Members of the Legislative Council. Provision is made at present for five ex officio members and four other official members to have seats in the Council. It is proposed that there shall be no change in the number of ex officio members but that the number of other official members shall be reduced from four to two. I do not consider that this reduction will materially affect the presentation in the Council of the proposals of the Government; it is moreover not inappropriate that such a change should be made at a time when it is contemplated that certain Governmental departments, the Heads of which have hitherto generally held seats in the Council, will be largely transformed into departments of the Municipal Council.

The effect of this proposed change on the composition of the Council would be that whereas the present constitution provides for nine official members, excluding the Governor, and eight unofficial members, the Council would in future consist of seven official and eight unofficial members. The unofficial members, if unanimously opposed to a measure which the Government had proposed, would thus command a majority in the Council, and the measure could only be carried by the exercise on the part of the Governor of his original and his casting vote.

I have alluded more than once in the course of this despatch to the able and devoted assistance which both I and all those whom I have consulted have received throughout my enquiry from the Special Adviser to this Government, Mr. T.M. Hazlerigg, C.B.E., M.C., and I conclude it with an expression of the warmest appreciation of his most valuable services.

THE DESPATCH OF JULY 3, 1947 BY THE SECRETARY OF STATE FOR THE COLONIES, MR A. CREECH-JONES, TO THE OFFICER AD- MINISTERING THE GOVERNMENT OF HONGKONG, MR D. M. MACDOUGALL:—

Sir.—In his despatch No. 145 of the 22nd October, 1946, Sir Mark Young submitted his views and recommendations for modifying the existing constitutional arrangements in Hong Kong, so as to give the inhabitants of the Colony a practical and effective share in the management of their own affairs.

2. These recommendations were the subject of close examination in the Colonial Office and consultation with Sir Mark Young prior to the statement which I made in the House of Commons on the 5th March, 1947. In that statement I announced my agreement with the main recommendation for the establishment of a Municipal Council, on the widest representative basis possible, which would gradually assume as many of the present functions of the Central Government as can appropriately be assigned to it, and would embrace in its administrative area the whole of the Island of Hong Kong, the Kowloon ceded territory, and that part of the New Territories known as New Kowloon. I further announced my acceptance of the proposal for a modification in the constitution of the Legislative Council so as to secure on that body a more direct and proportionately increased representation of the unofficial community.

3. Since then further consideration has been given to the details of Sir Mark Young's proposals, and I am now in a

position to accept those recommendations in full subject to the comments set out below (the references are to the paragraphs of Sir Mark Young's despatch No. 145):

(a) Distribution of seats on the Municipal Council.

I accept the recommendation that the number of seats on the Council should be divided equally between the Chinese and non-Chinese communities. This and other features of the scheme will, of course, be subject to review from time to time in the light of experience.

(b) Residential qualifications for non-British nationals.

I agree that it is desirable that the non-British European and American communities should be allowed to be represented on the Council, and I appreciate that the requirement of any lengthy period of residence for such persons might have the effect of depriving the Council of the services of valuable potential members. I have therefore given careful thought to the suggestion that a shorter period of residential qualification, both for membership of the Council and for the franchise, might properly be required of members of these particular communities than of non-British Chinese citizens. It is, however, my considered opinion that any differentiation in this matter as between the non-British Chinese community on the one hand, and the non-British European and American communities on the other, would be open to substantial objection; and since I understand that a general reduction in the period of residential qualification for all persons of other than British nationality is not recommended, I consider that this period will have to be, for all such persons, 10 years out of the 15 preceding nomination for membership of the Council, and 6 years out of the preceding 10 for the franchise.

(c) Special provision relating to the period of the Japanese occupation in respect of the residential qualification period.

I agree that, in connection with the proposed residential qualification for members of the Chinese community, some special provision should be made in order that those persons who left Hong Kong during the period of the Japanese occupation should not be penalised. In conformity with my comment in sub-paragraph (b) above, however, I consider that this concession should equally be extended to members of the non-Chinese communities.

(d) Minimum qualifying age for Councillors and Voters.

In paragraph 17 (a) of his despatch Sir Mark Young recommended that the minimum qualifying age limit for election as a Councillor should be 30, and, in paragraph 24 (1) of his despatch, that the minimum qualifying age limit for voters should be 25. Subsequently he felt able to recommend that the minimum qualifying age for Councillors should be reduced to 25, and advised that the weight of local opinion would not at present favour any further reduction in the minimum qualifying age limit for both Councillors and voters. In the light of this advice I am prepared to accept the age 25 as the minimum qualifying age for both, but I trust that a reduction in both cases to 21 will not be long delayed.

(e) Other electoral qualifications.

I agree to the proposed literacy and residential qualifications. As regards the proposal that voters should, in addition, possess a property or the Jury Service qualification, I accept the view that these additional qualifications are desirable at this stage, except that I feel that persons who can satisfy the Registration Officer that they are excluded from the Jury List solely on the grounds that they are over 60, or are ignorant of the English language, or on account of deafness, blindness or other like infirmity, or because they are females (see Section 3 of the Jury Ordinance, 1887), ought also to have the vote. I would ask that the proposals in Sir Mark Young's despatch may be modified accordingly. I understand, however, that the question of including women on the Jury List is under consideration, and if

the law is so amended, the reference to women can, of course, be omitted.

The whole question of electoral qualifications should, of course, be kept under review as education spreads and illiteracy is reduced.

(f) Nomination of the appointed members of the Municipal Council.

I have given much careful thought to Sir Mark Young's recommendations on this question and in particular to the suggested allocation of seats to the recognised Trade Unions. I understand that in present circumstances, when Trade Unions are still passing through the formative stage, it is not considered opportune to increase this allocation, and I am therefore prepared to accept the recommendation that, for the period of the first Council, they should have the right to nominate two Councillors only. The possibility of an increase in that allocation should, however, be kept carefully in mind.

The question whether or not the nominating bodies should be designated in the statutory provisions constituting the Municipal Council can be decided when the final stages have been reached in the drafting of the requisite legislation.

(g) Functions of the Municipal Council.

I agree with the recommendations in paragraphs 31 and 32 regarding the functions to be discharged by the Municipal Council but the latter will of course be expected to act in conformity with any general policy laid down by the Central Government particularly in relation to such matters as Town Planning, Education and Social Welfare, notwithstanding that they fall within the defined functions of the Municipal Council. Much care will need to be exercised in defining the exact functions and responsibilities to be undertaken by the Municipal Council: particularly the expression "Public Works" is very wide and will need closer definition.

(h) Appointment of a Commission to report on the measures necessary for the delegation of functions to the Municipal Council.

I agree that a Commission should be appointed under the

Commissioners Powers Ordinance, 1886, to institute and conduct an enquiry and to report on the measures necessary to effect the delegation of functions to the Municipal Council. I further agree with Sir Mark Young's view that the appointment of the Commission should be deferred until the Municipal Council has been constituted and Councillors have been elected and appointed, so that the Commission may include Councillors amongst its members.

I would suggest that the Commission should be asked to report, *inter alia*, on the steps to be taken to avoid wasteful duplication of services in the administration of the Colony's urban and rural areas.

I should wish to be consulted on the Commission's recommendations before any decisions are taken on them.

(i) Financial powers of the Municipal Council.

I would ask that the Commission, when appointed, be reminded of the need for making specific provision, so far as may be necessary, for the application to the Municipal finances of that measure of external control which it is necessary to exercise over the Colony's finances whilst it is in receipt of financial assistance from His Majesty's Government and for the carrying out of the Colonial Government's responsibility in respect of any scheme under the Colonial Development and Welfare Act, 1940, with which the Municipality may become concerned.

As regards the question of the powers of the Municipal Council in the matter of taxation, whilst there is no objection to the Municipality acting as agents of the Central Government for the collection of specified taxes, or to the proceeds of specified taxes being assigned to the Municipality to meet expenditure, nor to the Municipality being empowered to levy rates and to fix the fees payable in respect of licences etc., issued by it, I desire to make it clear, to avoid any possible misunderstanding, that it would in my view be open to objection if the Legislature were to transfer to the Municipality any authority in respect of other taxation.

(j) Municipal loan projects.

I confirm that any loan projects of the Municipality should be submitted to and receive the sanction of the Central Government, and

that I would wish them to be sub-delegation rather than of transfer,mitted to me as well.

(k) Audit arrangements.

My view is that the audit of the Municipality accounts should be carried out by the Colonial Audit Department.

(l) Transfer to the Municipality of movable and immovable property.

I should be glad to be consulted further on the question of the terms on which property should be transferred or leased to the Municipality when details of such property are available. In deciding upon the terms, regard will have to be paid to the Colony's financial position at the time and to the question whether any replacements will be necessary for Central Government purposes.

(m) Secondment of staff to the Municipality.

I agree that this question should be referred to the Commission, but it will be necessary to consider very carefully whether, without prejudice to the interests of the holders, the posts of seconded officers should be retained on the Colonial Establishment once the duties of those posts have been transferred to the Municipality.

(n) Secondment of an experienced Town Clerk.

As you will be aware, Sir Mark Young subsequently suggested, after further consideration, that steps should be taken with a view to engaging an experienced Town Clerk from the United Kingdom for a period of approximately two years to supervise the establishment of municipal government in Hong Kong. I agree with this proposal, and enquiries are now being made to this end.

(o) External control over the affairs of the Municipality.

The question whether or not the affairs of the Municipal Council should be subject to any form of external control, within their allotted sphere, gives rise to a number of important legal and financial problems and questions of policy, which I desire to reserve for further examination. I shall accordingly address you separately on this question as soon as I am in a position to do so.

In this context I would also suggest that it would be more appropriate to describe the process of handing over of functions to the Municipal Council as one of

since it is clearly not intended that the Legislature should surrender its powers and vest them in the Municipal Council, but rather that the Legislature should delegate certain of its powers to the Municipal Council, to be exercised by that Council.

I have referred above to my statement in the House of Commons on the 5th March, in which I announced my acceptance of the recommendations for a modification of the constitution of the Legislative Council. These changes will achieve a more direct and proportionately increased unofficial representation on the Legislative Council. Together with the Municipality proposals they constitute a most welcome step in the direction of sound constitutional advance.

In paragraph 46, Sir Mark Young requested authority to proceed forthwith with all detailed preparations, including the drafting of the necessary legislation, to give effect to his proposals and recommendations. In conveying to you this authority, subject to the comments in paragraph 3 above, I desire to say that I appreciate that much work will be involved in the preparations for the institution of Municipal Government and the revision of the present constitution of the Legislative Council. Should you come to the conclusion that additional staff is required over and above the appointment of a Town Clerk, to avoid diverting your existing staff from the immediate and urgent problems of rehabilitation and development, I trust you will not hesitate to raise the matter with me.

I have already intimated to Sir Mark Young that I am deeply sensible that it is in large measure due to his inspiration, and to the energy with which he has pursued this matter since his return to Hong Kong, that it is now possible for me, on behalf of His Majesty's Government, to commend this scheme to the people of the Colony, offering as it does the opportunity for them to assume a fuller and more responsible share in the conduct of its own affairs. I only regret that, because of the necessity for careful examination of the details of this comprehensive new departure, it has not been possible as would have been fitting, to make public the decision of His Majesty's Government on those details before he relinquished the Governorship. I also wish to record my appreciation of the experienced and ready assistance which Mr. T. M. Hazlerigg, C.B.E., M.C., gave throughout to Sir Mark Young.

THE TRADE OF HONGKONG FOR THE FIRST SIX MONTHS OF 1947

The improvement of Hongkong's trade during the first six months of 1947 has been remarkable and the financial & commercial life of the business community here is not far from attaining the state of pre-war prosperity.

Imports of merchandise for the first six months of 1947 amounted to a value of \$659 million, exports to \$559 million, making a total of \$1,218 million. If gold and silver trade is added, the total trade of the Colony for January/June aggregated \$1,346 million.

Averages for January/June periods of the years 1931-1937 amounted to (in millions of dollars):

Imports 1931/37 six month period: 368; 312; 250; 207; 182; 226; 308.

Exports 1931/37 six month period: 271; 236; 201; 162; 135; 175; 233.

The six month average for 1939 amounted to: imports \$297, exports \$266 million.

In 1946 imports for Jan./June amounted to \$345, and exports to \$246 million, or less than 50 percent of the 1947 figures.

Taking into consideration the higher cost of commodities in 1947 as compared to prices in pre-war years, the 1947 trade returns of Hongkong reveal that the current trade is about 80 percent of what it used to be in average pre-war years.

The trade deficit of Hongkong amounted to \$100 million for the first six months of the year, or \$16.6 million on the average per month.

Trade with China amounted in pre-war years to 33/34 percent of our imports, and 40/42 percent of our exports. During 1947 our trade with China decreased much as regards exports from here into China while imports from China into the Colony remained almost the same, viz. 32 percent of imports, and 30 percent of exports of Hongkong.

HONGKONG'S TRADE WITH CHINA FOR JAN./JUNE 1947 (IN MILLIONS HK\$)

	Imports	Exports
China	183.2	155.6
Kwangchow-wan	3.6	1.3
	191.8	156.9
two thirds of Macao ..	20.8	15.2
	212.6	172.1

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES.

FOR THE FIRST SIX MONTHS OF 1946 & 1947

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	1946	1947	1946	1947
United Kingdom	9,959,741	70,953,340	7,386,643	17,212,871
Australia	9,751,783	19,239,059	1,311,691	4,020,502
Burma	—	5,018,150	5,868	2,572,888
Canada	4,239,555	9,878,806	204,777	1,331,531
Ceylon	78,544	767,026	180,821	1,855,209
East Africa	66,000	451,198	60,680	272,828
India	20,736,308	22,483,667	6,443,445	10,981,977
Malaya (British)	33,783,354	45,965,503	55,256,889	117,802,760
New Zealand	21,300	116,523	54,110	856,832
North Borneo	—	2,845,661	125,857	2,563,751
South Africa	4,700	3,541,879	82,719	7,487,266
West Africa	—	—	—	300,498
West Indies	—	6,284	5,484	125,181
British Empire, Other ..	9,343,886	3,652,975	132,185	2,286,115
Belgium	1,278,731	18,834,613	24,885	4,366,283
China, North	46,203,116	25,517,160	43,997,097	16,628,164
China, Middle	28,164,010	18,481,251	14,720,780	25,517,918
China, South	73,530,749	144,222,316	51,731,121	113,459,309
Cuba	—	6,480	75,600	598,658
Central America	20,000	306,861	350	324,779
Denmark	299,533	332,423	1,361,851	680,248
Egypt	197,436	203,441	696,817	3,909,184
France	283,096	5,592,419	53,887	5,740,323
French Indo China	16,070,181	10,580,070	10,148,877	8,920,019
Germany	—	—	—	—
Holland	—	4,054,723	261,914	6,419,326
Italy	—	6,994,234	—	6,923,927
Japan	—	3,397,577	—	1,376,681
Kwong Chow Wan	1,600,609	3,650,848	481,475	1,319,618
Macao	30,105,403	32,666,848	13,913,014	23,298,030
Norway	3,336,181	7,472,550	484,073	1,442,314
Neth. East Indies	890,585	4,773,495	455	11,616,058
Philippines	4,832,698	8,937,953	3,832,997	21,041,658
Portugal	189,699	458,002	—	87,976
Siam	9,884,493	22,803,861	9,591,372	40,724,722
South America	12,000	176,731	114,276	572,635
Sweden	49,898	1,793,920	838,482	4,585,227
Switzerland	593,272	7,250,891	—	73,857
Spain	37,540	101,394	—	1,214,204
U. S. A.	39,494,991	140,960,472	22,883,947	75,387,746
U. S. S. R.	—	—	—	4,803,462
Others	181,019	4,612,495	57,211	8,688,761
TOTAL	345,240,411	659,103,099	246,521,650	559,391,402
Total Br. Empire	87,985,171	184,920,071	71,251,169	169,670,315
Total Foreign	257,255,240	474,183,028	175,270,481	389,721,087

While trading with China (including the arbitrary 66 percent of Macao's trade with Hongkong) accounted for 32 percent of the total trade of the Colony, the value of our trade with the British Empire aggregated 30 percent of our total exports and imports. The U.S. followed with 18 percent, then came British Malaya with 14 percent, the United Kingdom with 7 percent, Siam with 5 percent, India with less than 3 percent, and the Philippines with 2½ percent.

Trading with countries in the Far East and India accounted for almost 30 percent of our total trade; these figures do not include trading with Japan.

HONGKONG'S TRADE WITH FAR EASTERN COUNTRIES AND INDIA FOR JAN./JUNE 1947, IN MILLIONS OF HK\$

	Imports	Exports
Burma	5	2.5
Ceylon	7	1.8
India	22.4	10.9
British Malaya	45.9	117.8
North Borneo	2.8	2.5
Indochina	10.5	8.9
N.E.I.	4.7	11.6
Philippines	8.9	21
Siam	22.8	40.7

Total imports \$124 million, total exports \$218 million.

HONGKONG'S TRADE WITH EUROPEAN COUNTRIES FOR JAN./JUNE 1947, IN MILLIONS OF HK\$

Not included are the returns for United Kingdom and the USSR. (The Soviet Union shipped from here commodities valued \$4.8 million, but did not send any goods into the Colony.)

HONG KONG'S TRADE IN JUNE

(BY A TRADE ANALYST)

The monthly figures issued by the Imports and Exports Department for June must be read with caution. Although imports showed an increase from \$124,015,147 to \$130,474,333, \$12,758,578 of this amount is accounted for by government sponsored cargo, the figures for which are included for the first time. There has, therefore, been a decrease in the imports handled by import firms of almost \$7 million.

Exports were \$100,472,154 as against \$99,905,505, and the former figure includes government sponsored exports of \$1,397,845. There was a slight decrease in the classes of exports which have hitherto been included in the figures.

It is proposed to include government sponsored trade figures in future so that a more real picture of the trade of the Colony can be presented. For example over \$3½ million are now registered from Japan, practically all, of which, was cotton yarn, while the \$5 million from Burma comprises Hong Kong's allocation of Rice. These items would, in ordinary times, be handled through ordinary commercial channels, and must be considered as part of the general trade of the Colony.

Nevertheless, there have been some significant movements in the trade of the Colony. For example, imports from the Empire have increased by no less than \$22 million compared with the previous month, while exports to Empire countries are up by \$4 million. On the other hand, imports from non-Empire countries

have fallen by \$15 million and exports by \$4 million. These movements cannot be explained solely by the inclusion of government sponsored cargoes.

The chief gains on the import side were recorded by the United Kingdom (\$8 m.) which sent us more piecegoods and textiles (\$2 m.), metals (\$1½ m.) tobacco and vehicles (\$1 m. each), chemicals, paperware and wearing apparel (\$½ m.) There was a slight increase in the importation of paint.

Exports to the United Kingdom were up by \$½ million, practically all oils and fats.

Imports from Australia increased by \$6½ million. Foodstuffs showed an increase of \$3 million, but this is practically all government sponsored cargo. The import of piecegoods and textiles from Australia advanced by

almost \$2 million. Slight increases in fats and chemicals were also recorded.

Exports to Australia jumped by over \$1 million, mainly oils and fats, but Australia began to take a variety of items in small quantities for the first time, namely Chinese medicines, foodstuffs, intoxicating liquors and metals.

Imports from Canada, however, dropped by \$1½ million, mostly foodstuffs and paperware (\$½ m.).

There was, however, a slight increase in the export of foodstuffs and Chinese medicines to Canada.

Imports from India made a spectacular jump of \$7 million, almost the whole of this is accounted for by the import of piecegoods and textiles, which rose from \$134,000 in May to \$7 million in June. It will be interesting to follow these figures in the course of the next few months, to see if India will take the pre-war position of Japan as the chief supporter of textiles to the Far East.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES. FOR THE MONTH OF JUNE

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	1946	1947	1946	1947
	\$	\$	\$	\$
United Kingdom	3,067,434	19,694,143	1,238,732	2,108,665
Australia	3,251,395	6,880,702	590,415	1,463,436
Burma	—	4,998,828	—	344,628
Canada	1,918,842	1,898,423	65,886	284,161
Ceylon	23,864	423,314	51,078	249,555
East Africa	—	—	—	102,249
India	4,367,020	8,306,869	1,112,481	2,120,806
Malaya (British)	7,061,477	7,804,011	12,911,308	21,366,346
New Zealand	10,200	—	22,001	277,442
North Borneo	—	963,523	125,057	384,739
South Africa	—	845,992	13,525	361,244
West Africa	—	—	—	104,320
West Indies	—	3,481	—	25,443
British Empire, Other ..	1,582,159	46,927	66,307	983,805
Belgium	783,577	4,164,902	24,885	738,897
China, North	4,512,880	1,886,262	8,516,934	2,581,425
China, Middle	1,877,415	3,012,117	3,587,142	4,830,713
China, South	10,038,603	19,498,295	13,048,026	21,921,090
Cuba	—	—	—	248,714
Central America	—	—	—	109,129
Denmark	70,856	2,250	772,566	204,505
Egypt	—	72,608	43,147	901,119
France	283,096	1,658,998	37,887	1,773,229
French Indo China	8,752,577	1,664,058	4,529,847	1,531,029
Germany	—	—	—	—
Holland	—	549,185	261,914	2,328,260
Italy	—	465,818	—	2,263,924
Japan	—	3,397,577	—	1,280,250
Kwong Chow Wan	620,929	584,597	88,410	101,136
Macao	4,502,464	3,627,475	2,520,735	3,480,623
Norway	4,800	195,490	236,363	195,378
Neth. East Indies	877,492	1,437,747	—	2,543,297
Philippines	1,886,028	1,303,264	1,042,066	5,358,341
Portugal	141,800	12,207	—	2,000
Siam	2,521,648	2,385,912	4,354,189	4,904,391
South America	—	—	—	133,749
Sweden	—	219,200	459,887	1,367,885
Switzerland	60,127	819,973	—	2,325
Spain	27,740	21,866	—	338,839
U. S. A.	13,503,293	29,889,271	2,075,186	9,828,629
Others	—	1,739,048	—	1,316,438
Total	71,740,716	130,474,333	57,795,974	100,472,154
Total Br. Empire	21,282,391	51,866,231	16,196,790	30,176,839
Total Foreign	50,458,325	78,608,120	41,599,184	70,295,315

	Imports	Exports
Belgium	18.8	4.3
Denmark	3	6
France	5.6	5.7
Holland	4	6.4
Italy	7	6.9
Norway	7.4	1.4
Sweden	1.8	4.5
Switzerland	7.2	—
Spain	1	1.2

Together with smaller European countries, notably some Central European states like Czechoslovakia and Austria who have recently resumed trading with the Colony, the total value of imports amounted to \$52½ million, and exports amounted to \$31½ million. The aggregate value of European trade with Hongkong accounted for 7 percent of our total trade or exactly as much as our trade with the United Kingdom.

Trade with Latin America is yet in its infancy. The great potentialities of trading with Central and South America, especially with Mexico, Argentina, Brazil, Chile, Uruguay, have been realised by local merchants. A very substantial increase of our trade with Latin America can be anticipated.

Imports from Malaya slumped by \$1½ million, but exports to Malaya, on the other hand, showed a remarkable increase of \$6 million, including piecegoods and textiles (\$3 m.) and foodstuffs (\$2 m.) and wearing apparel (\$1 m.).

There were slight increases in imports from North Borneo and South Africa, but exports to the latter country slumped by \$4 million.

Imports from China continued to drop; North China sent \$3 million less, mainly textiles (\$2 m.) and less oils and fats, nuts and foodstuffs.

Imports from Middle China were down by \$1½ million, mainly chemicals (\$2½ m.), but foodstuffs increased by one million.

Imports from South China slumped heavily by \$5 million, as imports of oils and fats declined by \$5 m. and piecegoods by \$2 m.

Exports to China maintained their previous levels, although there was a big fall in the export of Chinese medicine (\$1 m.) and oils and fats (\$1½ m.) to North China, but this was balanced by increased exports of \$1½ million to South China, mainly oils, fats and metals.

Among the other Far Eastern countries, imports from French Indo China dropped \$1 million mainly foodstuffs, and while imports from the Philippines declined by \$1 million, mainly metals, exports to the Philippines were up \$2 million, chiefly foodstuffs (\$1 m.) and metals.

Trade with Siam on the other hand showed a drop of \$4 million in imports, of which oils and fats and foodstuffs accounted for \$1 m. and sundries \$1½ m.

Exports to Siam fell by \$3 million, of which piecegoods and textiles accounted for \$2 m.

Trade with Europe showed a slight recession from the previous month, as imports from Norway, Switzerland and Belgium declined \$1 m. each but exports to France increased by \$1½ million, (oils and fats \$1 m., piecegoods \$200,000) while there were significant increases in exports to Holland, Italy and Switzerland; the latter country being a strong purchaser for oils and fats.

Imports from U.S.A. increased by \$1 million, mainly piecegoods and textiles, (\$2½ m.), but dyes fell away by \$3 m.

Exports to U.S.A., however, slumped by \$6 million. There was a drop in the export of wood-oil of over \$9½ million, but a strong demand for imports increased exports to U.S.A. by \$3 million.

Turning to commodities the chief increase in imports has been in textiles, which increased by no less than \$13 million, although \$5 million was government sponsored cargo. Another large increase was foodstuffs, which accounted for an increase of \$8 million, over ½ of which was brought in on government account. Imports of machinery and engines showed a slight increase (¼ m.), and wearing apparel \$½ million. Imports of dyeing and tanning materials fell by \$4 million, chemicals and drugs \$3 million, oil and fats \$6 million, and

paper and paperware \$2 million. Tobacco imports also increased by \$1 million.

The major gain in exports was in foodstuffs which were up by \$5½ million, metals \$3 million, piecegoods

and textiles \$2 million, and wearing apparel \$1 million. The export of oils and fats, however, fell by \$8½ million, Chinese medicines \$1 million, dyeing and tanning materials \$1½ million and paperware by \$½ million.

TOTAL VALUES OF IMPORTS & EXPORTS BY MAIN GROUPS. FOR THE MONTH OF JUNE

Articles	IMPORTS		EXPORTS	
	1946	1947	1946	1947
	\$	\$	\$	\$
Animals, Live	2,322,329	2,046,170	—	375
Building Materials	2,821,647	2,181,995	155,981	636,162
Chemicals & Drugs	3,040,497	5,605,534	2,381,075	3,806,831
Chinese Medicines	6,147,049	1,155,191	4,404,621	2,611,824
Dyeing & Tanning Materials	545,298	6,851,104	379,139	3,757,957
Foodstuffs & Provisions	17,306,401	21,177,818	8,184,921	13,564,366
Fuels	785,558	1,157,440	—	7,224
Hardware	370,046	927,100	835,552	1,300,193
Liquors, Intoxicating	1,180,025	820,577	560,333	531,123
Machinery & Engines	128,776	1,148,281	179,571	137,193
Manures	99,020	32,720	700,126	826,428
Metals	2,120,791	10,719,279	1,942,186	8,482,711
Minerals & Ores	8,650	71,435	71,841	379,240
Nuts & Seeds	1,549,799	839,285	1,048,662	920,127
Oils & Fats	9,443,815	15,591,003	8,375,774	19,580,138
Paints	322,640	1,055,990	222,971	1,080,692
Paper & Paperware	1,876,881	2,908,608	2,874,013	3,468,288
Piece Goods & Textiles	4,708,633	26,241,784	11,707,277	14,329,109
Railway Materials	5,128	63,800	14,881	—
Tobacco	3,327,058	4,257,933	278,610	1,012,683
Vehicles	432,356	2,965,387	56,309	617,130
Wearing Apparel	765,785	1,683,318	1,864,320	4,394,689
Sundries	12,432,533	20,972,581	11,557,811	19,027,621
Total Merchandise	71,740,716	130,474,333	57,795,974	100,472,154
Treasure	5,838	1,002,030	864,000	9,441,688
Grand Total	71,746,554	131,476,363	58,659,974	109,913,842

TOTAL VALUES OF IMPORTS & EXPORTS BY MAIN GROUPS FOR THE FIRST SIX MONTHS OF 1946 & 1947

Articles	IMPORTS		EXPORTS	
	1946	1947	1946	1947
	\$	\$	\$	\$
Animals, Live	13,841,782	13,933,044	—	375
Building Materials	6,992,687	12,238,501	833,483	1,979,843
Chemicals & Drugs	8,722,230	27,584,264	9,289,396	19,024,723
Chinese Medicines	36,039,047	11,941,539	31,683,867	16,839,244
Dyeing & Tanning Materials	3,753,321	30,510,024	2,023,479	12,240,236
Foodstuffs & Provisions	91,559,898	93,828,554	46,442,703	67,445,324
Fuels	2,645,420	6,495,214	252,222	411,434
Hardware	1,318,116	4,309,942	2,887,986	5,638,875
Liquors, Intoxicating	4,288,208	6,467,421	2,044,163	3,003,062
Machinery & Engines	4,394,769	5,335,172	526,472	905,160
Manures	495,013	541,611	1,392,657	5,054,895
Metals	7,295,430	40,560,158	9,697,905	36,254,232
Minerals & Ores	332,950	1,028,298	414,706	2,785,912
Nuts & Seeds	11,061,731	10,011,096	6,460,454	4,633,455
Oils & Fats	41,951,275	108,252,980	39,300,108	130,440,605
Paints	1,360,824	4,396,779	1,482,930	4,353,937
Paper & Paperware	10,401,680	27,317,276	8,931,064	22,216,319
Piece Goods & Textiles	27,015,266	90,864,288	27,095,470	85,987,493
Railway Materials	5,128	444,767	14,881	616
Tobacco	8,547,071	21,962,393	1,345,562	5,154,793
Vehicles	3,185,537	17,243,870	147,756	2,973,081
Wearing Apparel	4,154,530	6,294,193	6,155,178	20,920,321
Sundries	55,878,498	117,541,715	48,099,208	111,127,384
Total Merchandise	345,240,411	659,103,099	246,521,650	559,391,402
Treasure	27,238	49,773,890	5,601,930	78,236,003
Grand Total	345,267,649	708,876,989	252,123,580	638,227,410

HONGKONG'S TRADING PARTNERS FOR THE MONTH OF JUNE 1947

TOTAL VALUES OF IMPORTS & EXPORTS UNDER MAIN GROUPS BY COUNTRIES FOR THE MONTH OF JUNE 1947.

UNITED KINGDOM			BURMA			CEYLON		
Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$
Building Materials	152,417	—	Chinese Medicines	—	7,100	Chemicals & Drugs	—	55,927
Chemicals & Drugs	1,372,469	75,400	Foodstuffs & Provisions	4,664,408	64,275	Foodstuffs & Provisions	42,700	64,928
Chinese Medicines	—	33,896	Hardware	—	18,805	Hardware	—	15,487
Dyeing & Tanning Materials	2,248,046	114,740	Metals	—	67,245	Liquors, Intoxicating	—	432
Foodstuffs & Provisions	114,369	46,246	Paints	—	43,064	Oils & Fats	372,998	—
Hardware	289,734	—	Paper & Paperware	—	1,909	Paper & Paperware	—	2,432
Liquors, Intoxicating	73,249	—	Piece Goods & Textiles	—	2,282	Wearing Apparel	—	400
Machinery & Engines	686,834	—	Tobacco	—	9,000	Sundries	7,616	109,949
Metals	2,699,765	22,000	Vehicles	—	2,650	Total	423,314	249,555
Minerals & Ores	11,985	—	Wearing Apparel	334,420	110,489			
Nuts & Seeds	—	580	Sundries	4,998,828	344,628			
Oils & Fats	88,554	1,180,112	Total					
Paints	323,540	3,934						
Paper & Paperware	540,227	—						
Piece Goods & Textiles	4,346,474	2,000						
Tobacco	2,595,307	—						
Vehicles	1,523,010	—						
Wearing Apparel	705,507	31,542						
Sundries	1,922,656	599,215						
Total								
Merchandise	19,694,143	2,108,665						
Treasure	2,030	2,742,500						
Grand Total	19,696,173	4,851,165						
AUSTRALIA			CANADA			INDIA		
Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$
Animals, Live	3,800	—	Building Materials	23,328	—	Chemicals & Drugs	15,365	9,634
Building Materials	98,572	—	Chemicals & Drugs	71,241	—	Chinese Medicines	2,500	201,386
Chemicals & Drugs	147,116	33,629	Chinese Medicines	40,000	87,272	Foodstuffs & Provisions	100,731	85,865
Chinese Medicines	—	18,971	Dyeing & Tanning Materials	108,399	—	Hardware	—	16,824
Dyeing & Tanning Materials	60,941	—	Foodstuffs & Provisions	667,236	155,027	Metals	—	227,554
Foodstuffs & Provisions	3,545,557	40,034	Hardware	31,745	1,136	Nuts & Seeds	4,620	3,725
Hardware	18,511	—	Liquors, Intoxicating	17,354	—	Oils & Fats	—	39,704
Liquors, Intoxicating	6,576	9,182	Machinery & Engines	1,305	—	Paints	—	19,749
Machinery & Engines	80,831	—	Metals	39,000	—	Piece Goods & Textiles	7,160,409	106,674
Metals	116,631	9,064	Nuts & Seeds	—	3,430	Vehicles	588	4,800
Nuts & Seeds	—	130	Oils & Fats	393,948	7,330	Sundries	1,022,656	1,404,891
Oils & Fats	110,434	1,174,040	Paints	116,319	—	Total	8,306,869	2,120,806
Paints	10,636	—	Paper & Paperware	105,500	495	Merchandise	—	3,329,688
Paper & Paperware	63,584	90	Piece Goods & Textiles	46,000	—	Treasure	—	5,450,494
Piece Goods & Textiles	2,017,999	17,200	Tobacco	—	689	Grand Total	8,306,869	5,450,494
Vehicles	1,754	—	Vehicles	132,050	—			
Wearing Apparel	48,383	—	Wearing Apparel	6,120	276			
Sundries	549,377	161,096	Sundries	98,878	28,506			
Total	6,880,702	1,463,436	Total	1,898,423	284,161			
			EAST AFRICA			NEW ZEALAND		
Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$	Articles	Imports \$	Exports \$
Chemicals & Drugs	—	—	Chemicals & Drugs	—	1,500	Chemicals & Drugs	—	47,310
Chinese Medicines	—	—	Hardware	—	916	Chinese Medicines	—	2,588
Foodstuffs & Provisions	—	—	Piece Goods & Textiles	—	30,799	Foodstuffs & Provisions	—	6,846
Hardware	—	—	Vehicles	—	433	Hardware	—	3,093
Liquors, Intoxicating	—	—	Wearing Apparel	—	37,171	Liquors, Intoxicating	—	2,368
Metals	—	—	Sundries	—	31,430	Metals	—	19,958
Nuts & Seeds	—	—	Total	—	102,249	Nuts & Seeds	—	156
Oils & Fats	—	—				Oils & Fats	—	93,935
Paints	—	—				Wearing Apparel	—	4,676
Paper & Paperware	—	—				Sundries	—	96,452
Piece Goods & Textiles	—	—				Total	—	277,442
Vehicles	—	—						
Wearing Apparel	—	—						
Sundries	—	—						
Total	—	—						

Foodstuffs & Provisions	3,851,771	243,560
Fuels	446,474	6,660
Hardware	59,008	183,918
Liquors, Intoxicating	3,877	259
Machinery & Engines	1,500	102,502
Manures	720	30,320
Metals	758,888	3,163,844
Minerals & Ores	1,120	—
Nuts & Seeds	108,829	388,894
Oils & Fats	8,586,522	3,216,331
Paints	125	309,442
Paper & Paperware	210,311	1,996,035
Piece Goods & Textiles	1,978,928	829,088
Tobacco	—	13,547
Vehicles	—	332,997
Wearing Apparel	252,900	75,616
Sundries	1,151,539	5,032,489

Total		
Merchandise	19,498,295	21,921,090
Treasure	—	193,500
Grand Total	19,498,295	22,114,590

CUBA

Articles	Imports \$	Exports \$
Chemicals & Drugs	—	10,275
Chinese Medicines	—	340
Foodstuffs & Provisions	—	51,525
Hardware	—	3,840
Liquors, Intoxicating	—	560
Nuts & Seeds	—	354
Oils & Fats	—	810
Piece Goods & Textiles	—	15,650
Wearing Apparel	—	355
Sundries	—	165,005
Total	—	248,714

CENTRAL AMERICA

Articles	Imports \$	Exports \$
Chinese Medicines	—	8,900
Foodstuffs & Provisions	—	40,162
Hardware	—	1,615
Nuts & Seeds	—	983
Piece Goods & Textiles	—	14,000
Wearing Apparel	—	2,788
Sundries	—	40,681
Total	—	109,129
Treasure	1,000,000	—
Grand Total	1,000,000	109,129

DENMARK

Articles	Imports \$	Exports \$
Chinese Medicines	—	19,635
Fuels	2,100	—
Hardware	150	—
Oils & Fats	—	1,181
Sundries	—	183,639
Total	2,250	204,505

EGYPT

Articles	Imports \$	Exports \$
Chinese Medicines	—	1,948
Foodstuffs & Provisions	8,892	15,238
Hardware	—	144
Metals	57,576	—
Nuts & Seeds	—	45,400
Oils & Fats	—	687,740
Piece Goods & Textiles	967	1,300
Tobacco	5,173	—
Sundries	—	149,399
Total	72,608	901,119

FRANCE

Articles	Imports \$	Exports \$
Building Materials	295,705	—
Chemicals & Drugs	289,754	28,224
Chinese Medicines	—	3,000
Dyeing & Tanning Materials	257,840	90,640
Foodstuffs & Provisions	16,480	—
Liquors, Intoxicating	172,743	—
Metals	26,500	—
Minerals & Ores	—	189,000
Oils & Fats	—	914,934
Paper & Paperware	167,397	—
Piece Goods & Textiles	274,193	320,632
Vehicles	15,917	—
Sundries	142,469	226,799
Total	1,658,998	1,773,229

FRENCH INDO CHINA

Articles	Imports \$	Exports \$
Chemicals & Drugs	43,522	36,822
Chinese Medicines	15,810	94,742
Foodstuffs & Provisions	496,505	932,615
Fuels	444,030	—
Hardware	—	800
Liquors, Intoxicating	—	24,162
Machinery & Engines	—	4,200
Metals	—	16,075
Nuts & Seeds	14,700	4,250
Paints	147	—
Paper & Paperware	—	141,915
Piece Goods & Textiles	—	29,435
Tobacco	—	82,010
Vehicles	—	29,180
Wearing Apparel	—	1,200
Sundries	649,344	133,623
Total	1,664,058	1,531,029

HOLLAND

Articles	Imports \$	Exports \$
Chemicals & Drugs	35,002	—
Chinese Medicines	—	26,597
Dyeing & Tanning Materials	11,560	—
Foodstuffs & Provisions	42,960	—
Hardware	10,920	—
Liquors, Intoxicating	105,454	—
Metals	190,850	—
Oils & Fats	14,982	2,296,243
Paper & Paperware	30,920	—
Piece Goods & Textiles	29,622	—
Tobacco	2,544	—
Sundries	74,371	5,420
Total	549,185	2,328,260

ITALY

Articles	Imports \$	Exports \$
Building Materials	5,920	—
Chinese Medicines	—	1,600
Dyeing & Tanning materials	237,207	—
Metals	8,562	—
Nuts & Seeds	—	142,805
Oils & Fats	—	1,331,176
Piece Goods & Textiles	195,851	—
Vehicles	18,278	—
Sundries	—	288,343
Total	465,818	2,263,924

JAPAN

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	970,179
Liquors, Intoxicating	—	947
Piece Goods & Textiles	3,397,577	—
Tobacco	—	3,100
Vehicles	—	10,000
Sundries	—	306,024
Total	3,397,577	1,290,250

KWONG CHOW WAN

Articles	Imports \$	Exports \$
Animals, Live	410,540	—
Chemicals & Drugs	—	10,572
Chinese Medicines	5,244	2,677
Dyeing & Tanning Materials	—	1,800
Foodstuffs & Provisions	135,186	4,800
Fuels	600	—
Metals	—	25,431
Oils & Fats	1,550	39,455
Paper & Paperware	—	2,065
Vehicles	—	2,260
Sundries	31,477	12,076
Total	584,597	101,136

MACAO

Articles	Imports \$	Exports \$
Animals, Live	—	375
Building Materials	10,725	142,636
Chemicals & Drugs	1,500	170,299
Chinese Medicines	38,819	80,699
Dyeing & Tanning Materials	19,980	28,217
Foodstuffs & Provisions	1,326,312	1,076,001
Fuels	94,861	—
Hardware	3,361	8,305
Liquors, Intoxicating	124,432	134,830
Machinery & Engines	—	4,100
Manures	—	2,282
Metals	33,860	154,153
Minerals & Ores	58,330	—
Nuts & Seeds	85,475	32,435
Oils & Fats	388,898	241,231
Paints	168	14,422
Paper & Paperware	3,235	203,527
Piece Goods & Textiles	822,089	82,833
Tobacco	60,470	370,712
Vehicles	2,020	148,934
Wearing Apparel	1,360	38,499
Sundries	551,580	546,073
Total Merchandise	3,627,475	3,480,623
Treasure	—	3,176,000
Grand Total	3,627,475	6,656,623

NORWAY

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	15,000	—
Oils & Fats	—	148,684
Paper & Paperware	180,490	—
Sundries	—	46,694
Total	195,490	195,378

NETHERLANDS EAST INDIES

Articles	Imports \$	Exports \$
Chemicals & Drugs	—	40,735
Chinese Medicines	11,030	100,477
Dyeing & Tanning Materials	1,920	2,500
Foodstuffs & Provisions	82,152	197,708
Hardware	—	19,114
Metals	25,000	15,797
Nuts & Seeds	—	3,120
Oils & Fats	537,460	8,600
Paper & Paperware	—	39,390
Piece Goods & Textiles	—	999,577
Tobacco	—	211,000
Wearing Apparel	—	461,469
Sundries	780,185	443,810
Total	1,437,747	2,543,297

PHILIPPINES

Articles	Imports \$	Exports \$
Building Materials	—	1,512
Chemicals & Drugs	12,310	47,561
Chinese Medicines	—	99,125
Foodstuffs & Provisions	177,090	2,316,108
Hardware	8,640	450,665
Liquors, Intoxicating	—	11,510
Metals	666,900	422,876
Nuts & Seeds	—	150,302
Oils & Fats	—	9,808
Paints	—	208,780
Paper & Paperware	—	66,740
Piece Goods & Textiles	84,882	44,414
Tobacco	10,951	90,000
Wearing Apparel	2,205	753,290
Sundries	340,286	678,910
Total	1,303,264	5,358,341

PORTUGAL

Articles	Imports \$	Exports \$
Liquors, Intoxicating	12,207	—
Sundries	—	2,000
Total	12,207	2,000

SIAM

Articles	Imports \$	Exports \$
Building Materials	309,074	61,948
Chemicals & Drugs	3,690	125,875
Chinese Medicines	40,408	83,952
Dyeing & Tanning Materials	—	105,748
Foodstuffs & Provisions	109,314	486,764
Fuels	3,800	—
Hardware	—	170,310
Liquors, Intoxicating	—	1,471
Machinery & Engines	—	1,779
Manures	32,000	—
Metals	5,800	222,083
Nuts & Seeds	9,230	16,238
Oils & Fats	1,506,420	86,483
Paints	—	85,148
Paper & Paperware	—	436,182
Piece Goods & Textiles	12,600	1,740,346
Railway Materials	63,800	—
Tobacco	—	8,000
Vehicles	—	11,287
Wearing Apparel	—	415,319
Sundries	289,776	845,458
Total	2,385,910	4,904,391

SOUTH AMERICA

Articles	Imports \$	Exports \$
Chinese Medicines	—	3,400
Foodstuffs & Provisions	—	3,816
Hardware	—	654
Sundries	—	125,879
Total	—	133,749

SWEDEN

Articles	Imports \$	Exports \$
Chinese Medicines	—	7,831
Hardware	7,943	—
Liquors, Intoxicating	12,366	—
Metals	15,861	—
Minerals & Ores	—	187,740
Oils & Fats	—	1,142,616
Paper & Paperware	143,729	—
Sundries	39,301	29,698
Total	219,200	1,367,885

SWITZERLAND

Articles	Imports \$	Exports \$
Chemicals & Drugs	12,320	—
Dyeing & Tanning Materials	559,452	—
Sundries	248,201	2,325
Total	819,973	2,325

SPAIN

Articles	Imports \$	Exports \$
Chinese Medicines	4,940	—
Liquors, Intoxicating	16,926	—
Oils & Fats	—	338,839
Total	21,866	338,839

U. S. A.

Articles	Imports \$	Exports \$
Building Materials	424,894	—
Chemicals & Drugs	3,168,997	—
Chinese Medicines	628,121	212,331
Dyeing & Tanning Materials	2,569,541	144,580
Foodstuffs & Provisions	1,934,517	456,009
Hardware	338,126	5,883
Liquors, Intoxicating	219,472	10,750
Machinery & Engines	376,203	—
Metals	2,770,067	3,301,066
Minerals & Ores	—	2,500
Nuts & Seeds	3,114	13,255

Oils & Fats	2,119,247	3,942,712
Paints	559,357	—
Paper & Paper-ware	867,753	9,021
Piece Goods & Textiles	4,855,458	1,247
Tobacco	1,583,488	2,950
Vehicles	1,195,375	—
Wearing Apparel	629,305	14,233
Sundries	5,645,236	1,712,092
Total	29,889,271	9,828,629

AFGHANISTAN

Articles	Imports \$	Exports \$
Sundries	—	47,000
Total	—	47,000

AUSTRIA

Articles	Imports \$	Exports \$
Paper & Paper-ware	106,139	—
Total	106,139	—

CZECHOSLOVAKIA

Articles	Imports \$	Exports \$
Metals	436,370	—
Paper & Paper-ware	235,262	—
Sundries	1,041	—
Total	672,673	—

EL HASA

Articles	Imports \$	Exports \$
Piece Goods & Textiles	—	7,000
Sundries	—	1,650
Total	—	8,650

IRAN

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	381,573
Metals	—	53,200
Piece Goods & Textiles	—	3,600
Sundries	—	23,969
Total	—	462,342

IRAQ

Chemicals & Drugs	—	10,802
Foodstuffs & Provisions	—	190,102
Piece Goods & Textiles	—	145,826
Wearing Apparel	—	1,250
Sundries	—	144,503
Total	—	492,283

HONGKONG'S TRADE WITH JAPAN

As from June 1, 1947 Hongkong Govt. decided to incorporate into the trade returns of the Colony the figures of "sponsored trade," i.e. those imports which were brought here by Govt. and those exports which were shipped out of the Colony by Govt. (Department of Supplies, Trade & Industry being in most cases the competent Govt. agency).

Hongkong's trade with Japan since the end of war has been on a gov't-to-gov't basis and will continue so until mid-September or even longer when commercial houses should have been able to resume their pre-war connections and to carry on trade within the foreign trade control mechanism which is currently devised and perfected by the Japanese Govt. and SCAP, Tokyo.

As from August 15 a small number of Hongkong merchants will be able to enter Japan and to establish their old businesses there. The quota allocated by the Imperial authorities to Hongkong is small but the proximity of this Colony to Japan and the traditional intense trading between Japan and Hongkong has entitled Hongkong merchants to a relatively large share in the total Empire allocation. Subsequent to

August 15, more and more local merchants will be able to go to Japan but this will be a slow process.

Trade In June

The trade returns of Hongkong for June include for the first time since the end of war Japanese exports and imports. Hongkong's exports to Japan (compare also detailed statistics under "Hongkong's Trading Partners for June" elsewhere in this issue) comprised:—

Cigarettes \$3,100; one motor car \$10,000; stationery \$23,000; sundries \$283,024; meat and fish (tinned and potted) \$970,197 and 15 gallons of spirits \$947; making a total value of exports of \$1,290,250.

The imports from Japan in June, amounting to \$3,397,577, consisted of 1,000,000 yards of cotton yarn valued at \$3,096,773 and 80,000 yards of silk and artificial silk yarn valued at \$300,804.

Trade For January To May 1947

Hongkong imported from Japan during the period of January to June 1947 commodities valued \$29,815,047. Practically all goods were textiles, viz: 3,011 bales of Cotton piece goods valued \$3,545,750; 13,500 bales of Cotton yarn valued \$16,477,405; 762 cases of Rayon piece goods valued \$829,120; 2,500 cases of Rayon yarn valued \$1,853,308; 1,500 bales of Spun Rayon yarn valued \$1,014,463; and 774 cases of Woollen piece goods valued \$2,952,004.

Other imports from Japan for the period of January/May 1947:—14 bags of Abalone valued \$7,500; 400 bales of Agar Agar \$441,670; 300 cases of Bicycles \$70,369; 272 cases of Cigarette paper \$47,000; 61 cases of Citric Acid \$8,455; 30 cases of Electric Fans \$6,927; 29 bags of Ginseng \$98,327; 135 cases of Glassware \$19,158; 1,745 bags of Manganese Dioxide \$18,247; 3,929 cases of Mushrooms \$926,334; 90 cases of Pencils \$28,014; 7 cases of Porcelain ware \$544; 1,833 cases of Scallops \$1,199,042; 206 cases of Sharks Fins \$27,415; and 589 cases of Vegetable Wax \$243,994.

In addition Hongkong has been importing from Japan, under allocation agreement, about 9,000 tons of coal per month at an average price of \$66/70 per ton.

Hongkong exported to Japan during January/May a large quantity of canned foodstuffs, and the following goods: 3 motor cars valued \$10,000 each; 6,199 tons of Kaolin valued \$1,237,437.

All trade between Hongkong and Japan has been carried in British ships.

PORT. E. AFRICA

Articles	Imports \$	Exports \$
Foodstuffs & Provisions	—	2,519
Hardware	—	1,646
Oils & Fats	—	11,212
Wearing Apparel	—	9,834
Sundries	—	13,148
Total	—	38,359

SYRIA

Articles	Imports \$	Exports \$
Sundries	—	10,890
Total	—	10,890

TURKEY

Articles	Imports \$	Exports \$
Chinese Medicines	—	1,638
Sundries	—	199,753
Total	—	201,391

ALL OTHER COUNTRIES

Articles	Imports \$	Exports \$
Metals	22,759	—
Oils & Fats	937,477	—
Sundries	—	55,523
Total	960,236	55,523

TREASURE TRADE OF HONGKONG

GOLD

Total gold imports for the first six months of 1947 valued \$48,927,600 (an approx. quantity of 220,000 troy ounces). The following countries imported gold into Hongkong: Mexico \$15,969,000, U.S.A. \$25,965,000, Philippines \$1,290,000 U.K. \$1,292,000.

Imports of gold in June: from U.K. \$2,030 worth of gold leaves, from Mexico \$1 million worth of gold bars and ingots, the latter quantity resulting from the backlog of previous orders placed by local native banks and bullion dealers abroad.

Total gold exports for the first six months of 1947 valued \$46,392,800, all of which went to Macao.

During the month of June gold bars and ingots valued \$3,176,000 were shipped from here to Macao. This gold arrived previously in Hongkong in transit for Macao but owing to payment difficulties some gold was not taken delivery of by the importing dealers and had to be stored temporarily in the vaults of local banks.

(For 1946 and Jan./May 1947 figures see our issue of July 2, page 130).

SILVER

Total silver exports for the first six months of 1947 valued \$31,654,000 (an approx. quantity of over 10 million troy ounces). About 85 percent of silver exports were shipped to India, valued \$26,746,000, and the rest to U.K. valued \$4,878,000.

During June silver exports valued \$2,742,500 to U.K., and \$3,329,688 to India.

No silver imports were recorded here for 1947.

(For 1946 and Jan./May 1947 figures see our issue of July 2, p. 132).

BANKNOTES

Total value of bank note imports for the first six months of 1947 was \$842,752, all having arrived here from U.K. (mostly HK\$ notes). Total value of bank note exports for the same period was \$633,500, all having been shipped to China (CN\$ notes). During June bank notes valued \$193,500 were exported to China.

TRADE IN MINERALS & ORES

HONGKONG'S IMPORTS & EXPORTS OF ANTIMONY REGULUS, ANTIMONY ORE, TIN, TINPLATE, WOLFRAM ORE, MERCURY, MANGANESE AND BISMUTH ORES.

Hongkong's imports of antimony (regulus & ore), tin (in slabs, ingots, & tinplate) wolfram ore, mercury, manganese and bismuth ore during the first half of 1947 totalled 130,593 piculs, valued at \$10,023,097; exports of these minerals and ores for the period January to June amounted to 120,768 piculs, valued at \$15,930,932.

The monthly imports averaged about 21,765 piculs and exports 20,128 piculs. The largest imports were tinplates, followed by antimony regulus and crude, tin in slabs and ingots from China and wolfram ore from South China. On the export side antimony regulus and crude topped the list with

China's tin slabs and ingots ranking second and South China's wolfram ore third, tinplates fourth. The trade in most minerals and ores was a two-way traffic; antimony ore and manganese ore were only imported and bismuth ore only exported.

Leading trading partners in minerals and ores during the past six months were the United Kingdom, the United States, Soviet Union and China.

Of our total six-month imports of minerals and ores, South China supplied about 43 per cent, the United Kingdom 41 per cent and the United States 12 per cent.

In the export field the United States absorbed about 53 per cent of our total exports of minerals and ores, the Soviet Union 21 per cent, South China about 10 per cent.

HONGKONG'S IMPORTS AND EXPORTS OF MINERALS AND ORES FOR THE FIRST HALF OF 1947:

Description	Imports		Exports	
	Piculs	Value	Piculs	Value
Wolfram ore	6,573	\$ 794,278	15,509	\$ 2,677,074
Antimony ore	48	9,600	—	—
Antimony crude & regulus ...	40,677	1,569,780	66,476	2,844,000
Manganese ore	1,483	37,245	—	—
Bismuth ore	—	—	116	93,075
Tin slabs & ingots (China) ..	11,157	3,569,185	22,703	8,281,560
Tin slabs & ingots (other than China)	457	166,058	1,141	530,485
Tinplates	69,630	3,449,704	14,626	1,402,944
Mercury	568	427,247	197	101,794
Total	130,593	\$10,023,097	120,768	\$15,930,932

HONGKONG'S IMPORTS AND EXPORTS OF MINERALS AND ORES DURING THE FIRST SIX MONTHS OF 1947:

Countries	Imports		Exports	
	Piculs	Value	Piculs	Value
United Kingdom	54,130	\$2,699,593	1,280	\$98,899
Australia	—	—	34	18,075
India	—	—	4,008	395,954
Malaya	1,048	268,557	—	—
New Zealand	—	—	604	76,086
Other Brit. Empire	—	—	32	13,938
Belgium	—	—	502	72,455
China, Middle	—	—	2,382	306,426
China, South	56,121	5,043,502	12,464	1,257,975
Central America	29	20,000	—	—
France	—	—	1,016	315,185
French Indo-China	2,100	674,560	—	—
Holland	—	—	83	14,643
Iran	—	—	96	53,200
Italy	40	27,668	—	—
Macao	647	285,649	9	1,200
Philippines	—	—	116	13,000
South America	—	—	171	30,597
Sweden	—	—	3,443	900,913
Siam	—	—	32	1,782
U.S.A.	16,478	1,003,568	64,221	5,384,221
U.S.S.R.	—	—	26,151	4,803,462
Others	—	—	4,124	2,172,921
Total	130,593	\$10,023,097	120,768	\$15,930,932

HONGKONG'S TRADE IN WOLFRAM ORE

In the first half of 1947 Hongkong imported 6,573 piculs of wolfram ore for a total declared value of \$794,278 and exported 15,509 piculs valued \$2,677,074.

There are no restrictions on both imports into and exports from the Colony, but the Chinese Government has placed it under state monopoly operated by the National Resources Commission mainly for the purpose of collecting foreign exchange.

The NRC has set its current ceiling price in China at CN\$8,000,000 per ton, or about CN\$476,200 per picul. The Commission has established purchasing offices at every producing area in the country.

Chinese wolfram ore is mined in Kiangsi and Chekiang in Central China, and in Kwangtung and Kwangsi in South China. The ore mined in Central China is shipped to Shanghai and is exported from there; wolfram ore produced in South China is transported to Hongkong and Macao.

Wolfram ore deposits in Kwangtung are in Kwangyuan, Tseyuan, Yingtak and Szeching in the North River area, in Hoyuan, Tseking, Ngwah, Lienping, Waiyang and Tsangchun in the East River region, and in Wanfu and Hingheng in the West River area.

Recorded & Unrecorded Trade

With the exception of wolfram ore brought here by the National Resources Commission, the quantity of which has been small, most shipments were smuggled out of Kwangtung by organised and individual traders. In most cases, organised traders were protected by Chinese armed forces and supported by staff members of the NRC.

East River and North River wolfram ore is smuggled into Hongkong via Waiyang, or Paoon and Canton respectively, while the West River output goes to Macao via Kongmoon.

Average monthly shipments arriving here from East and North Rivers areas amount to 40/50 tons, while Macao received about 20 tons every month from the West River region.

The methods employed by the NRC in its control comprise:—The issue of purchase permits to organised or individual traders for collection of wolfram ore from the producing centres; the purchase by NRC of such ore at the fixed price; direct collections from miners.

Chinese Monopoly & Control

Due to the lower official price, hundreds of miners in the producing areas are reluctant to sell to the NRC. Miners prefer to sell to organised traders who pay the black market rate of around CN\$850,000 per picul.

These organised traders usually turn over to the NRC's purchasing offices at producing centres 10 per cent at the official price the remaining 90% are shipped to Hongkong or Macao through underground channels.

Officials of the NRC's Hongkong Office believe that there has been large smuggling of wolfram ore in particular and of other minerals in general from Kwangsi and Kwangtung to the Colony.

Procedure of Smuggling

According to organised traders engaged in bringing wolfram ore to Hongkong from the East River region, protected transportations are regularly carried out. A recent shipment of 10 tons of wolfram ore from the East River area proved to be a profitable deal. The trader paid for every picul CN\$850,000 to miners at Tseking and Ngwah, CN\$200,000 transportation fee, (including a bribe of CN\$30,000 to the NRC's purchase offices at the two places for allowing the goods to pass their areas), CN\$60,000 protection fee to Chinese armed forces and CN\$70,000 for the foks' daily expenses.

The total cost was CN\$1,180,000 per picul at Hongkong, where the ore was sold at HK\$380 per picul. At the current exchange rate of CN\$7,000 to HK\$1, a net profit of over HK\$200 per picul was made in the above case.

When the respective trader passed the NRC's purchasing office, he turned over one ton to it at the official price and paid CN\$30,000 per picul to members of the office for allowing his own wolfram ore to pass.

In addition, members of the NRC purchasing office entrusted him to bring 10 tons to Hongkong for sale, the proceeds, after deducting transportation and protection fees, were later handed over to the agents of these members in the Colony.

From the producing area, the trader engaged more than 500 coolies to carry the 20 tons of wolfram ore, including the 10 tons entrusted to him by members of the NRC's purchasing office, for about 10 days to Waiyang. All the coolies worked on a half-day shift; they carried for half day and then walked home. The trader employs always new coolies every 12 hours. The transportation in question was carried out in relays during the 10-day trip to Waiyang.

Protection of the Army

From Waiyang, the goods were loaded on to trucks, some of them hired and others commandeered by the protecting armed forces on the pretext of transporting war materials, then taken to a river port after a few hours' drive, and finally shipped to Hongkong on native craft.

Throughout the journey, between 30 and 50 armed soldiers were at the trader's disposal, marching either ahead or behind the goods. The soldiers also worked in the 12 hour relay system. When the goods arrive at a certain place, the army unit commander is informed and then he dispatches new soldiers to escort the goods right to the next stop, and this procedure goes on until arrival of cargo at its destination.

All the protection work was carried out in unison, after the trader has paid up the necessary fee to the army officer in command of the whole area.

Besides paying for the upkeep of the soldiers, the trader also has to pay bribes to officials in various districts along the route.

When reaching the British territory, the last group of protecting soldiers will anchor their boats on the Chinese side and see the boats loaded with the wolfram ore passing well into British territory before lifting anchor and returning to their garrison.

This method is necessary in view of the possible interception by revenue guards of the Chinese Maritime Customs on the border. In case revenue guards would stop the boats, the soldiers will fight for and rescue the trader and the goods.

Undeclared Goods

After reaching Hong Kong, the wolfram ore is taken to a refinery in Causeway Bay—the only one in Hongkong—to be refined before sale.

Most of the wolfram ore brought into Hongkong through underground channels is not declared on arrival. As a result, the declared amount imported into the Colony is always smaller than the quantity exported.

This fact is confirmed by the returns of the I. & E. Department, according to which the amount of wolfram ore imported into Hongkong during the past six months was less than one half of the quantity exported from the Colony.

Wolfram Imports & Exports

Of the declared imports, over 99 per cent came from South China, that is the North and East River areas of Kwangtung, while the remaining one percent was brought here from the West River area via Macao.

More than 70 per cent of our wolfram ore exports in the past six months was taken by USSR. Sweden took about 18 percent, the remaining 12 per cent went to the U.K., U.S., Belgium, France. Out of the 2,771 piculs bought by Sweden a considerable amount is supposed to have been re-exported to USSR.

The entire amount of wolfram ore imported officially by the Hongkong Office of the National Resources Commission was handed over to the USSR trade representative.

TOTAL IMPORTS AND EXPORTS FOR JAN. TO JUNE 1947:

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	4,552	\$542,000	6,635	\$1,023,957
February	1	100	4,490	675,405
March	830	101,678		
April	27	2,700	998	264,492
May	1,148	140,000	2,554	436,480
June	15	7,800	832	376,740
Total	6,573	\$794,278	15,509	\$2,677,074

TOTAL IMPORTS AND EXPORTS
FROM JANUARY TO JUNE 1947:
BY COUNTRIES:—

Countries	Imports	
	Piculs	Value
China, South	6,522	\$782,000
Macao	51	12,278
Total	6,573	\$794,278

	Exports	
	Piculs	Value
United Kingdom ...	290	\$ 48,107
Belgium	168	32,455
France	1,016	315,185
U.S.A.	756	185,069
Sweden	2,771	793,713
USSR	10,508	1,302,545
Total	15,509	\$2,677,074

Imports in January amounted to 4,552 piculs, the largest figure for the first six months of 1947. The USSR and Sweden took in January 4,342 and 1,537 piculs respectively, followed by the U.S. and U.K. with 588 and 168 piculs respectively.

Exports in February went mostly to USSR: 4,116 piculs. Other countries took:—France and Belgium each 168 piculs, U.K. 38 piculs.

There were no exports in March. In April 486 piculs were shipped to Sweden, 428 piculs to France and 84 piculs to U.K.

May exports went mainly to the USSR: 2,050 piculs. The U.S. and Sweden took 168 and 336 piculs respectively.

Exports in June were shipped to France, 420 piculs, and to Sweden, 412 piculs.

Korean Wolfram

Recently there have been large wolfram imports totalling about 80 tons, shipped at first to Macao from southern Korea, and then to Hongkong from where much already was re-exported.

Hongkong Government is entitled to confiscate Korean wolfram ore if seized on arrival here from Korea via Macao. Korea is still an enemy country.

Local Market Conditions

Local competition in wolfram ore trade has been and will remain very keen. The bulk of the business is done by native hongts in Nanpakhong (Bonham Strand, West). Many Chinese and foreign exporters are interested in buying up wolfram from organised traders.

The extensive smuggling of wolfram ore out of South China has been studied by the National Defense Ministry in Nanking. Members of the Defense Ministry arrived recently in Canton to investigate on the spot the extent and methods of smuggling. A number of important military officers in Kwangtung were arrested under suspicion of rendering protection to smugglers.

Wolfram dealers here are of the opinion that the increasing demand for wolfram ore will continue. According to traders and officials of the Hongkong Office of N.R.C. the local market will absorb any quantity which miners can produce in China and traders can bring here.

Quotations in the Wolfram Market

At the beginning of the year a picul of wolfram ore sold at about \$200/220. The Chinese Govt's N.R.C. quoted about \$120, a price which is still nominally in force. When declaring imports at the I. & E. Dept. of H.K. Govt. a price of around \$120 per picul of ore is being taken as basis.

French and Swedish buyers of wolfram paid at the beginning of 1947 about \$210, in April the price went up to \$330, in May to \$380, and in June to \$450 per picul (average price). The U.K. bought only in January and February when prices were comparatively moderate; U.K. buyers paid \$160/170.

American buyers in January paid the then market price of around \$200, and in May, their latest purchases, about \$350 were paid for a picul.

The Soviet buyer (Exportheb) valued its wolfram purchases throughout the first half year of 1947 at about \$125 per picul. While this price would be correct as far as direct purchases (actually only taking of delivery) from the N.R.C. are concerned, the USSR buyer when going into the local market had naturally to pay the very much higher prices, i.e. about \$450 in June or \$380 in May. Much wolfram ore has been taken over, for shipment to Dairen or Vladivostok, by the local representative of Exportheb, but a considerable quantity had recently also to be bought in the native mineral and metal market.

It is usually the market quotation in New York which determines the local price for most of China's export produce; however, in the case of wolfram ore there has been since about 6 weeks an exceptional development. The New York price of wolfram ore remains around US\$15/16 per short ton unit, cif US ports, plus US\$8 import duty per wolfram ore unit. Depending on the wolfram (or tungsten) content in the ore, between 60 to 68 units go to make one ton. Usually, Chinese wolfram ore contains about 65 percent tungsten.

The average price of wolfram ore should be, based on the New York quotation, around US\$1,040 per ton, or US\$62 per picul (of 133-1/3 lbs). Calculated at the average US\$ unofficial price here (T.T. New York) of HK\$500 per US\$100, one picul of 65 percent wolfram ore should accordingly cost HK\$360, cif American port. However, during recent weeks the local market has absorbed wolfram ore at prices from 20 to 30 percent higher than the New York quotation.

Recent shipments of overvalued wolfram ore left Hongkong only for France and Sweden, buyers from the U.S. having been conspicuously absent.

The London market price is between 100/— to 150/— per unit; this price corresponds to the New York quotation if sterling is calculated at the New York free market average quotation (US\$3.10 per £); but if the official exchange rate is taken as basis, i.e. if sterling were to be freely transferable in individual wolfram ore transactions (which it is not), the London price would be more advantageous to sellers here, i.e. it would approx. correspond to the current market price of Hongkong for wolfram ore (about HK\$420/450 per picul of ore).

Provided that the New York price is not raised, which appears not likely at least not to any considerable extent, the local wolfram ore price is too high and should in due course come down to about HK\$330 per picul, the price level of May last.

HONGKONG'S TRADE IN ANTIMONY

The Chinese Govt. has entrusted the National Resources Commission with the domestic and export control over antimony ore, antimony regulus and crude. As in the case of wolfram ore, the miners and traders are not satisfied with the prices officially decreed by the NRC and resort, with the help of political and military support, to circumvent the monopoly control of the Chinese Govt. In case of the NRC paying a price more in conformity with world market prices, its monopoly would not have been challenged by the people engaged in mining and trade. However, the very wide difference between the NRC price and the world market price, usually a consequence of the dual exchange rate prevailing in China, makes it almost impossible for traders to surrender their antimony to the NRC whilst markets abroad offer usually 100 percent more.

The bulk of Chinese antimony is mined in Hunan, little only coming from Yunnan, Kwangtung and Kwangsi. An estimate of NRC states that China's production of antimony for this year will be about 5,000 to 8,000 tons.

Judging from Hongkong's exports for the past six months of 66,476 piculs (approximately 3,950 tons) almost the entire Chinese production of antimony for the first half of the year was absorbed by Hongkong for re-exports.

Antimony Ore

Antimony ore trade was very small, being only 48 piculs. There had been no trade of this ore in the first five months of the year as Hongkong imported all the 48 piculs in June. No antimony ore exports were recorded.

Antimony Regulus

Antimony regulus and crude imports totalled 40,677 piculs and exports 66,476 piculs for the first half of the year.

The Hongkong Office of the NRC had brought into the Colony less than 16,000 piculs of antimony during the past six months.

From 24,000 to 50,000 piculs were shipped here by traders through underground channels.

The volume of our exports was about 60% larger than the amount imported and registered with the I. & E. Department. This is attributed to the extensive smuggling activities between Kwangtung and Hongkong, since many traders were unwilling to declare the arrival of their imports.

Most of our antimony Reg. Imports came from Hunan via the Canton-Hankow Railway to Canton, thence to Hongkong by native craft.

Smugglers had little difficulty in bribing their way through the Sammun-kwan Customs post. Smugglers usually spend HK\$30 as a bribe fee for every picul of antimony passing the Customs post.

Of our exports, the U.S. purchased more than 82% and USSR 7%; the remaining 11% went to the United Kingdom, Belgium, South America, Sweden, India, New Zealand, Siam, Holland and the Philippines.

Smuggling of antimony from China to Hongkong is not as profitable as the wolfram ore trade between the producing areas in China and the Colony.

Due to the slump in the Colony's rubber ware industry, which used to consume a considerable quantity of antimony in making moulds for rubber wares, our domestic demand dropped in the past three months.

Prices on the Antimony Market

Imports of antimony crude from China were quoted about \$38 per picul. Antimony of about 99 percent purity, coming here from Macao, was valued between \$180 to 250 per picul. Sales of antimony crude to America brought on the average \$40 per picul. USSR buyers paid \$38. Sales of 99 to 99½ percent antimony to Sweden, New Zealand, Belgium etc. were effected at prices from \$150 to 200 per picul during the first half year of 1947. Prices remained on the whole stable.

World market prices are as follow: 99½ percent in New York 33 US cents, cif US ports; 99 percent regulus in London £180 per ton (equalling 32.37

US cents per lb.), and 99.6 percent regulus £190 per ton (equalling 34.18 US cents per lb.). One picul of about 99½ percent antimony regulus in Hongkong should cost about US\$43.50 per picul (133-1/3 lbs) or, at the average unofficial exchange rate here (T.T. New York), about HK\$217 per picul.

TOTAL IMPORTS AND EXPORTS OF ANTIMONY REG. & CRUDE: BY COUNTRIES: FOR JANUARY TO JUNE 1947:

Countries	Imports	
	Piculs	Value
China	40,656	\$1,565,316
Macao	21	4,464
Total	40,677	\$1,569,780

	Exports	
	Piculs	Value
United Kingdom ..	990	\$50,792
Belgium	334	40,000
S. America	171	30,597
Sweden	672	107,200
U.S.A.	55,026	2,124,800
India	3,624	202,700
New Zealand	604	76,086
Siam	32	1,782
Holland	83	14,643
Philippines	20	3,400
U.S.S.R.	4,920	192,000
Total	66,476	\$2,844,000

Antimony regulus and crude trade in January 1947: imported from China 25,230 piculs, valued \$961,216; exported to U.K. 252 piculs, \$9,600; to Belgium 84 piculs, \$3,200; South America 171 piculs, \$30,597; Sweden 504 piculs, \$73,600; U.S. 20,580 piculs, \$784,000.

Trade in February: no imports. Exports to: India 1,644 piculs, \$64,000; New Zealand 165 piculs, \$31,019; Belgium 168 piculs, \$33,600; Siam 32 piculs, \$1,782; Sweden 168 piculs, \$33,600; U.S. 8,974 piculs, \$348,800.

Trade in March: Imports from China 165 piculs, valued \$6,400, and 6 piculs from Macao, valued \$1,053. Exports to U.K. 738 piculs, \$41,192; India 1,644, \$64,200; New Zealand 339 piculs, \$25,109; Belgium 82 piculs, \$3,200; U.S. 8,217 piculs, \$320,000.

Trade in April: Imports from China 6,117 piculs, \$238,720, and 6 piculs from Macao, \$1,692. Exports to Holland 83 piculs, \$14,643; Philippines 20 piculs, \$3,400.

Trade in May: Imports from China 9,144 piculs, \$358,980, and 6 piculs from Macao, \$1,059. Exports to U.S. 820 piculs, \$32,000; and to USSR 4,920 piculs, \$192,000.

Trade in June 1947: Imports 3 piculs from Macao, valued \$660; Exports to India 336 piculs, \$74,500; New Zealand 100 piculs, \$19,959; and to U.S. 16,435 piculs, \$640,000.

TOTAL IMPORTS AND EXPORTS OF ANTIMONY REG. & CRUDE FOR JAN. TO JUNE 1947:

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	25,230	\$961,216	21,591	\$900,997
February			11,151	512,801
March	171	7,453	11,020	453,701
April	6,123	240,312	103	18,043
May	9,150	360,039	5,740	224,000
June	3	660	16,871	734,458
Total	40,677	\$1,569,780	66,476	\$2,844,000

TRADE IN TIN

Notwithstanding the fact that the Chinese Government imposes no restrictions on the exportation of tin there has been much smuggling of this metal into Hongkong from China during the past six months.

Traders are required to surrender the foreign exchange obtained from tin exports from China to the Chinese Government. Most traders circumvent these regulations.

In the first half of 1947, Hongkong imported 11,157 piculs of tin valued at

\$3,569,185 and exported 22,703 piculs for \$8,281,560. About 80 per cent of our imports came from South China, 18 per cent from Indo-China and the rest also from South China but via Macao.

Tin is chiefly mined in Yunnan, but Kwangtung, Kwangsi, Hunan and Kiangsi also produce some. When railway communications between Yunnan and Indo-China were normal before the war, almost all Yunnan's output, about 8,000 to 9,000 tons a year, was brought to Hongkong, thence re-exported.

It is now difficult to bring Yunnan's tin here as transportation facilities are almost at a standstill. Most tin mines are still producing, however.

Of Chinese tin imported by Hongkong, 50 percent was supplied by Yunnan and the rest came from Kwangsi and Kwangtung.

Indo-China does not produce tin but there is still a considerable stock which was brought to Indo-China by the Japanese during the war from Malaya. Tin merchants in Indo-China have been gradually exporting the Japanese stock, plus some tin from Yunnan, mostly to Hongkong.

Tin is controlled in Indo-China and Siam. A big quantity of tin was smuggled into the Colony from these two countries.

The most extensive tin mines of the world are in Malaya but as a result of Japanese destruction during the war, most mines have not yet been restored.

This fact accounts for the world shortage with the world demand for tin continuing unabated. Unless transportation between Yunnan and Hongkong is improved, the Colony cannot obtain regular and adequate tin shipments.

The present market price here for tin of 99 per cent is around \$450, or \$250 more than the price quoted here shortly before the Pacific war. Hongkong's tin price is expected to remain steady. Chinese tin is refined here to 99 percent purity before its exportation.

The USSR are the largest buyer of Chinese tin. About 47 percent of Hongkong's total exports in the last six months were taken by USSR, followed by the United States with about 34 per cent, while the rest of 21 per cent went to India, Iran and other countries.

IMPORTS AND EXPORTS FOR JAN. TO JUNE, 1947, OF CHINESE TIN IN SLABS & INGOTS:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	2,954	\$909,989	8,806	\$3,377,137
February	133	62,626	3,395	1,137,863
March	2,097	679,900	477	230,805
April	1	800	—	—
May	3,514	1,157,740	2,525	997,030
June	2,458	758,130	7,200	2,538,725
Total	11,157	\$3,569,185	22,703	\$8,281,560

IMPORTS FROM AND EXPORTS TO RESPECTIVE COUNTRIES DURING THE SIX-MONTH PERIOD OF CHINESE TIN:—

Countries	Imports		Exports	
	Piculs	Value	Piculs	Value
China, South	8,592	\$2,659,178	8	\$4,000
Macao	482	236,807	—	—
Indochina	2,083	673,200	—	—
Bri. Empire, Other	—	—	32	13,938
China, Middle	—	—	99	55,573
India	—	—	246	128,254
U.S.A.	—	—	7,861	2,810,757
U.S.S.R.	—	—	10,641	3,233,917
Iran	—	—	96	53,200
Others	—	—	3,720	1,981,921
Total	11,157	\$3,569,185	22,703	\$8,281,560

IMPORTS AND EXPORTS FOR JAN. TO JUNE 1947 OF TIN OTHER THAN CHINESE:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	4	\$1,850	404	\$191,000
February	170	63,565	21	10,890
March	—	—	—	—
April	—	—	—	—
May	149	55,301	—	—
June	134	45,342	716	328,595
	457	\$166,058	1,141	\$530,485

IMPORTS FROM AND EXPORTS TO RESPECTIVE COUNTRIES FOR JAN. TO JUNE 1947 OF TIN OTHER THAN CHINESE:—

Countries	Imports (from)		Exports (to)	
	Piculs	Value	Piculs	Value
United Kingdom	308	\$110,601	—	—
Malaya (Br.)	104	32,957	—	—
Macao	45	22,500	—	—
China Middle	—	—	21	\$10,890
India	—	—	138	65,000
U.S.A.	—	—	578	263,595
Others	—	—	404	191,000
Total	457	\$166,058	1,141	\$530,485

TRADE IN BISMUTH ORE

With the exception of the first two months of the year, the one-way trading in bismuth ore has been at a complete standstill. Hongkong exported 116 piculs, valued at \$93,075, to Australia and Soviet Russia in January and February. Since then, there had been no exports of bismuth ore to any country.

Exports in January of 34 piculs went to Australia; the February exports of 82 piculs were taken up by the USSR.

As far as the official records are concerned, there had been no imports of bismuth.

Since Hongkong does not produce bismuth the exported 116 piculs may have been either left over from last year's stock or taken into the Colony by smugglers.

TRADE IN TINPLATES

Hongkong's tinplate imports for the first half of 1947 amounted to 69,630 piculs valued at \$3,449,704 and exports 14,626 piculs at \$1,402,944. Of the imports, about 76 per cent came from

United Kingdom, 22 per cent from the United States and two per cent from British Malaya and Indo-China. Approximately 84 per cent of our exports went to South China, 15 per cent to Middle China and one per cent to the Philippines and Macao.

TOTAL IMPORTS AND EXPORTS OF TINPLATES FOR JAN. TO JUNE 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	17,743	\$821,743	2,409	\$195,692
February	2,249	89,199	712	47,065
March	613	51,688	933	99,272
April	17,560	776,352	1,900	173,875
May	2,771	183,217	4,240	436,630
June	28,694	1,527,505	4,432	450,410
Total	69,630	\$3,449,704	14,626	\$1,402,944

TOTAL TINPLATE IMPORTS FROM AND EXPORTS TO RESPECTIVE COUNTRIES DURING THE SIX MONTH PERIOD OF 1947:—

Countries	Imports		Exports	
	Piculs	Value	Piculs	Value
United Kingdom	53,439	\$2,561,149	—	—
Malaya (Br.)	830	102,400	—	—
Indochina	17	1,360	—	—
U.S.A.	15,344	784,795	—	—
China, Middle	—	—	2,195	\$222,418
China, South	—	—	12,326	1,169,726
Macao	—	—	9	1,200
Philippines	—	—	96	9,600
Total	69,630	\$3,449,704	14,626	\$1,402,944

TRADE IN MERCURY

Hongkong's trade in one of the most expensive minerals during the past six months was small. We imported 568 piculs of mercury valued at \$427,247 and re-exported 197 piculs at \$101,794, about 35 per cent of imports.

Ranked sixth among the mercury-producing countries in the world in 1937, China is now badly off in mercury production and had to buy 131 piculs from Hongkong in the past six months. In fact, China was the sole buyer of our mercury.

The United States ranked first as source of supply, followed by British, Malaya, Italy and Mexico.

TOTAL IMPORTS AND EXPORTS FOR JAN. TO JUNE 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	137	\$145,600	11	\$10,075
February	173	86,498	6	5,250
March	35	23,768	40	21,805
April	113	101,533	15	9,000
May	82	50,048	31	19,030
June	28	16,800	94	36,634
Total	568	\$427,247	197	\$101,794

TOTAL IMPORTS FROM AND EXPORTS TO RESPECTIVE COUNTRIES FOR SIX-MONTH PERIOD:

Countries	Imports		Exports	
	Piculs	Value	Piculs	Value
United Kingdom	30	\$18,048	—	—
Malaya	114	133,200	—	—
U.S.A.	294	199,373	—	—
Italy	40	27,668	—	—
C. America	29	20,000	—	—
China, South	61	28,958	130	\$84,249
China, Middle	—	—	67	17,545
Total	568	\$427,247	197	\$101,794

IMPORTS OF MANGANESE ORE

Hongkong's imports of manganese ore in the first half of the year \$37,245; all ore was held for local consumption. Of the total imports, the United States supplied 56.6 per cent, the United Kingdom 23.8 per cent and South China 19.6 per cent. Imports of this mineral from the United States were the cheapest, followed by the United Kingdom and South China.

IMPORTS OF MANGANESE ORE BETWEEN JANUARY AND JUNE, 1947:

JANUARY		
	Piculs	Value
United Kingdom	168	\$4,546
China	139	5,250
Total	307	\$9,796

MARCH		
United Kingdom	185	\$5,249

APRIL		
China	151	\$2,800

MAY		
	Piculs	Value
U.S.A.	840	\$19,400

Total for first six months of 1947: 1,483 Piculs, valued at \$37,245.

TRADE BETWEEN HONGKONG AND THE U.S.A.

During the first six months of 1947 Hongkong exported to the U.S. mostly China produce and imported, mostly for re-export to China, the following:—sundries, gasoline, kerosene & fuel oil, dyestuffs and industrial chemicals, fine chemicals and medicines, canned and fresh foodstuffs, metals, textiles, tobacco and motor cars.

Exports to the U.S. included:—vegetable oils (mostly tung oil, teaseed oil, etc.), Chinese medicines, galls, nuts, jams & preserves, wolfram ore, antimony, vin, pepper, bristles, embroidery & lace, feathers, rattan, camphor.

(A review of Hongkong-U.S. trade appeared in our issue of April 30, page 204).

Total amounts for Jan./June and for the month of June 1947 will be found elsewhere in this issue.

Based on United States trade figures, and reduced from cif U.S. ports to fob Hongkong prices, the total exports of Hongkong to the U.S. for January to June 1947 amounted to US\$20.7 million. Vegetable oil exports accounted for 65 per cent, or US\$13.5 million. Among vegetable oils tung oil accounted for US\$10.8 million, or 52 per cent of total exports of Hongkong to U.S. Teaseed oil exports came next, amounting to US\$1.6 million.

Other important exports for Jan./June 1947 to U.S. were:—cassia valued at US\$270,000; bristles US\$450,000; feathers US\$360,000; tin US\$290,000.

Exports of diamonds from here to the U.S. valued for Jan./June almost US\$500,000. Other jewellery and semi-precious stones were conspicuous export items.

QUALITY OF U.S. GOODS

American goods in the local market as well as in Shanghai and Canton have been found often to lack in quality. Complaints about improper commercial practices by a relatively large number of American exporters are heard frequently. A number of local importers have made very bad experiences with fly-by-night American exporters and brokers who have exploited the hunger for goods after the end of war. Fraudulent practices on the part of many American exporters have been discovered and non-fulfillment of contracts, unduly delayed deliveries, shipments not conforming to sample and contract etc. have disturbed commercial relations between a good number of local importers and American business. The good will and prestige enjoyed by goods made in the U.S. have suffered in the eyes of local customers due to the irresponsibility and bad faith of a considerable number of American traders. It will take some time to make the disgruntled customers forget the unnecessary losses incurred and the "raw deal" handed out to them in so many instances.

Another and well-founded complaint regarding American goods in the local and all China markets is the surprisingly large quantity of extremely low priced plastic articles of no apparent usefulness to the public, toys and playthings which make people with developed critical faculties rather doubtful about the blessings of an industrial society a l'Americaïne. Rubber articles of every possible and impossible variety simply are swamping the stores and shops and have spilled over into the streets in unending boxes and packages.



EXCHANGE & FINANCIAL MARKETS

GOLD TRANSACTIONS

Local spot trading last week involved over 19,000 taels (previous week 18,600 taels), corresponding to a value of \$ 6 to 6½ million. Forward and inter-native bank gold business (fictitious buying & selling in which only the difference is settled) exceeded 100,000 taels. As prices in Canton and Hankow were practically at par with Hong Kong and only Shanghai at times quoted slightly more, local exports of gold in bars and coins to Shanghai were the only actual business done. An estimated quantity of 3,000 taels left last week for Shanghai, transported mostly by planes.

Highest and lowest spot prices were \$ 347 & \$ 318 per tael. Equivalent gold prices in Shanghai, computed at the CN\$ remittance rate to Hong Kong, around \$ 320—340 per tael. One troy ounce of gold quoted on Shanghai's unofficial market for gold and foreign exchange between CN\$ 2.3 to 2.4 million. The US\$ note quoted CN\$ 40/45,000, T.T. New York between 15 to 20 percent higher. The average gold cross rate in Shanghai (in terms of US notes) was US\$ 55 per oz, while the Hong Kong average gold cross price was US\$ 52 per oz (the Hong Kong price being calculated at the local unofficial T.T. New York rate).

The tight money position prevailing now in Shanghai—one of those recurrent phenomena of contemporary financial control exercised by the Chinese Govt.—has reduced black market quotations. Since it can be anticipated from the many examples during the years following the great victory, the tight money position will soon be followed by an "easy" one when black market prices will revive. For the time being the bulls had a good time, actively supported by the optimistic rumour mongers on both sides of the Pacific who combine the Gen. Wedemeyer mission to China with a billion dollar loan by America to the Nanking Govt.

The local market was particularly excited about the arrival of gold from Mexico via Manila in Macao. From 7,000 to 50,000 ozs of gold were believed to have been shipped from Manila direct to Macao, and a final shipment of some 100,000 ozs was reported to be underway. Sooner or later the very large balances of gold

permits issued by the Macao Govt will arrive in the Portuguese Colony from where all the gold will naturally filter into Hong Kong until it will find rest in the pockets of rice merchants, mandarins and "transportation" experts.

The latest purchases of gold in San Francisco for shipment to Manila, the first leg of the journey, were transacted between \$ 262/267 per tael; at least that is what one hears in the market. The eventual profit, after the successful haulage across the Pacific to the shores of the China Sea, should satisfy even the magnified appetites of post-war go-getters—and their getting-rich-quick ideas are about faster than sound.

The local spot market calculates with the arrival of new gold otherwise gold exports to China would not have been made recently at so recklessly small a profit. Some gold dealers estimate that some 3,000 taels are weekly leaving the Colony while the present total amount of gold held by native banks, brokers and jobbers is not more than 40,000 taels, a quantity which goes round and round but always loses something of its substance both through absorption by local serious investors and through exports to China.

The attitude of the Philippine Govt is unclear as regards permission of re-export of gold. The latest information indicates that gold transit trade has been prohibited in Manila but business entered into prior to the current week will be exempted from this transit ban. Philippine mined gold is in a different position; here the Govt in Manila does its best to promote mining and sales abroad and is currently sending small quantities to London for refining. The China market will not be affected by Philippine gold exports, at least not for the current year.

Hong Kong however, thanks to the Philippine Govt's permission to allow Mexican or U.S. gold to pass through Manila, is bound to receive its gold which has already been contracted. If the transportation conundrum can be solved, Hong Kong (pardon, Macao) should enjoy plentiful trading in gold in the near future.

The future price development of gold in the local market is dependent on the quotations in the black markets of China. With higher or lower

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)				S'hai		Canton	US\$	(per 100)		(per 100)		
	High	Low	Spot		Forward		T.T.	T.T.	Not	Draft	T.T.	I.C.\$	Guilder	Baht	
July 14	347	328½	142	140½	117½	108½	120	146	501	498	513	11½	24	21	
15	338	329½	140	139½	112	110	127	145	497	496	513	11½	25½	20	
16	337½	331½	144	138	120	115	130	144	492	493	513	11½	25½	20½	
17	330½	322	142	138½	112½	107½	128	135	484	486	509	11½	24½	20½	
18	329	318½	137½	133	107½	100	120	128	483	483	500	11½	23½	20½	
19	326	320	134½	134	108½	106½	122	130	483	486	502	11½	24	20½	

gold/US\$ cross rates in Shanghai, local quotations will move up or down in sympathy. A maximum price of US\$ 50 per oz might be maintained for some time but a price of US\$ 45 appears more justified and logical.

Gold in the New York jewellers' market and unofficial bullion market operated by very few agents catering for an overseas clientele is around US\$45 per oz.

India of course is always highly overpaying gold but this is due to the Indian Govt. gold import duty of 12½ percent. About a year ago this duty was as high as 25 percent but has since been reduced. The current price of gold in Bombay is HK\$310 per troy ounce, excluding duty, or about \$370 per tael (37.7994 grammes).

Near Eastern gold prices are considerably lower than Bombay, and prices for gold paid in some Western European markets approximate US\$ 45/50 per troy ounce.

THE SILVER MARKET

Very little buying interest has been evinced although a few brokers caused quite a stir when they inquired about "at least" 500,000 ozs for export to India. Actually, only a few hundred ozs. changed hands at prices not higher than \$2.50 per oz. This price would correspond to 38½ pence. The current (July 21) London price is 39½ for spot, and 39¼ for forward, while the New York price is 63½ US cents per fine oz. The native silver market quoted last week one tael \$3.27 highest, and \$3 lowest. Silver dollars were brought into the Colony in smaller lots since the off-take here is sluggish and there is no change for the better to be expected, at least not within a good time to come. One silver dollar is calculated at 0.7622 of one fine ounce (about 8 silver dollars equal 6 ozs).

THE CHINESE MONEY MARKET

After the "£ devaluation" rumour has died an ignominious death and the innocents were lamenting their "bad luck," the CN\$ bull speculation worked the Gen. Wedemeyer-American loan yarn almost to a premature death. However, for a day or two the bulls had their way and then let the bears take over. The CN\$ market here is to all intents and purposes a fascinating gambling institution and Government is quite justified to ignore the antics on this market where business cannot well be recognised as foreign exchange transactions.

Large arrivals of new banknotes from Shanghai were reported in the market. The premium which notes enjoy over the Shanghai remittance rate is sometimes topping 40 percent, at other occasions it amounts only to 10 percent. The carrying of CN\$ into Hongkong is more profitable than the remittance from the North a phenomenon peculiar to CN\$: usually drafts and T.T. quotations are higher than bank note prices.

TRADE BETWEEN HONGKONG AND KOREA

Trade between Hongkong and Korea started on March 4 when the first ship left Hongkong via Macao for American-occupied Southern Korea.

About middle of December 1946 a Korean trade mission, composed of one U.S. Army officer and 3 Korean members, arrived in Hongkong for the purpose of negotiating with Hongkong Govt. regarding resumption of commerce. The trade mission was sent by the United States Army Military Gov-

ernment in Korea (USAMGIK). Hongkong Govt. nominated the Director of the Dept. of Supplies, Trade & Industry (ST & I) as the competent authority for negotiations with USAMGIK.

It was eventually agreed by the negotiating parties that trade was to start on the basis of government-to-government trading since Southern Korea was still to be regarded as enemy territory. No private commerce was possible between Korea, i.e. USAMGIK controlled Southern Korea, and the Allied powers. The gov't-to-gov't trading basis was regarded as satisfactory as it would protect both trading partners and would regulate trade during the period pending the restitution of full rights to Korea. Legitimate merchants should have welcomed the gov't-to-gov't trading basis.

Private Trading with Korea

After the Korean trade mission left Hongkong at the beginning of January, one alleged member of the mission, a Korean, remained behind and interested local merchants in Korean trade on a private trading basis. He was able to satisfy his financiers as to the possibility of carrying on barter trade with Korean business men, producing letters from U.S. military authorities in Korea which purported to guarantee the safe landing of foreign cargo in Korean ports and the free interchange of private commerce.

While Hongkong Govt., adhering to international law which forbids trading with enemy countries and cooperating with the United States, British Commonwealth and Chinese governments, could not yet allow the resumption of private trading, some American officers attached to USAMGIK—without authorisation from the superior authority of SCAAP, Tokyo, or the U.S. Government in Washington—"permitted" private commerce between Korea and the world. However, while they and many merchants were eager to see private trade commence, China, the U.S.A. and the British Commonwealth in conformity with the stipulation of the "Trading with the Enemy" legislation only agreed to gov't-to-gov't trading.

Trade via Macao

After much fruitless negotiating between merchants and ST & I, a loophole for the evasion of the Hongkong Trading with the Enemy Ordinance was found in the Portuguese Colony of Macao. Since Portugal remained neutral during the war there was no obstacle in the Portuguese Colony for engaging in trade between Macao merchants and Korean merchants.

During last February all necessary arrangements were made by local Chinese and Portuguese merchants, commodities were bought for export to Korea, a British ship was chartered for the journey Hongkong-Macao-Korea,

Highest and lowest prices for last week: Spot \$142-133; forward \$120-100; Shanghai remittance \$132-118; Canton remittance \$148-128. The discount of Shanghai drafts in Canton narrowed down from about 15 to 6 percent on account of tight money in Shanghai. A short time ago Shanghai drafts were discounted in Canton between 30 to 35 percent. However, le temps viendra....

BANK NOTE MARKETS

Pound notes were quiet at \$13.10/13.50. Piastres ruled firm with a large turnover in the fictitious forward market, recording between I.C.\$9 to 10 million, spot trading having been around 3 million for the week. Nica guilders also found many buyers; the Java guilder even found some interest although this money is out of circulation in the Netherlands Indies, buyers offering \$16 to 17 (per 100 Java guilders), i.e. about \$8 less than the Nica.

EXPORTS OF DIAMONDS

The local market has nothing to offer to diamond connoisseurs with the exception of very few stones recently imported from South Africa. Prices are very high; white stones sell from \$4,000 to 5,000 per carat (stones over 1½/2 carats), other diamonds from \$2,000 to 3,500 per carat. Wealthy Chinese from the North have been buying diamonds here since they were not able to get first class stones at competitive prices in China. On the average larger diamonds cost between 10 to 15 ounces of gold per one carat. Diamond exports from Hongkong to the U.S. for the first six months of 1947 amounted to a value of about US\$500,000, corresponding to a quantity of 1,000 carats.

GOLD AND SILVER PRICES IN JAPAN

As from July 17, new gold and silver prices have come into force in Japan; one gram of gold will be bought by the Bank of Japan at Yen 75, and one kilogram of silver will be bought at Yen 1,300.

The new gold price of the Bank of Japan, computed at the U.S. military and SCAP exchange rate of Yen 50 to US\$1, equals US\$46.80 per troy ounce (against the U.S. Treasury gold price of US\$35).

KOREAN EXCHANGE RATES

Hongkong merchants after their recent return from barter trading in Korea state that at the beginning of July one Hongkong dollar was exchanged in Seoul for Korean yen 60.

some companies were set up in Macao acting as agents for the Hongkong firms interested in the Korean trade. After the first venture was apparently a success more merchants became interested and a number of ships were chartered (Panamanian, Norwegian and other flags besides large motor junks owned by Chinese companies in Hongkong) and at least 6 larger ships fully laden with cargo destined for Korea put to sea during the last four months.

Exports & Imports

Local export cargo included: newsprint, salt, raw rubber, coal, cement, building materials, medicines, cereals, sugar, pepper, oils, soap, industrial chemicals, dyes, metals.

Korean export cargo bartered in by local merchants included: marine products, ginseng, wolfram ore and tungsten concentrates, graphite, mica, talc, molybdenum, flourite, silica, unfinished furs.

The Hongkong ships arrived, via Macao, in Southern Korean ports of Fushun and Chenchuen as well as calling on a few others. After arrival there the masters of the ships and the owners of the cargo registered with the Korean Trade Control Bureau (under authority of USAMGIK) and paid import customs duties. In many cases the Bureau appraises both the value of imported goods and the value of Korean produce offered for export to Hongkong (via Macao).

All trade is on a barter basis which offered and still offers opportunities to the unscrupulous trader.

Basis of "Private Trading"

The whole private trading business with S. Korea was built up here on the basis of extracting the highest possible advantage from bartering with Koreans by handing over to them cargo which cost, say, one million dollars in exchange of cargo which brought if sold here at least three million dollars. The first commercial ventures were very successful and the Koreans were taken in. Some merchants who returned recently state that profits have now declined somewhat, and "only" about 100% profit can be taken as basis for calculation.

The methods employed in the initial barter trade by Hongkong merchants tend to bring "free enterprise" trading into disrepute. If the extraction of inordinate profits is the basis of this sort of "private trading," the govt-to-govt basis is to be preferred.

Responsibilities

USAMGIK is responsible for not having prevented this kind of commercial exploitation; their tutelage of the Korean people requires better and more experienced officers and administrators in Seoul. And it, as it is likely to turn out now, not the High Command but some subordinate officers of USAMGIK were able to run such business in the teeth of General MacArthur and Washington and contrary to international

SOUTH CHINA TRADE REPORT

No immediate hope is being entertained by Hongkong and South China traders for a reasonable relaxation of the Chinese restrictions with respect to import regulations and foreign currency quotas, although the seriousness of the strangulation policy of the "South China Import and Export Control Board" (SCIECB) has received prompt attention of the central authorities in Nanking.

This was evidenced by the recent arrival in Hongkong of the British adviser to the Central Bank, and Mr Shao Tseng-hua, director of the Business Department of the Central Bank. The purpose of their current visit as so often in the past turned around negotiations with Hongkong Government regarding closer co-operation in preventing Chinese flight of capital, and the introduction of new measures for the control of overseas Chinese remittances from abroad to China through Hongkong, as well as on the spot investigation of the adverse effects on South China's trade brought about by the SCIECB's revised import regulations and foreign currency quotas.

law, the High Command in Seoul must be regarded as inefficient and incompetent.

Hongkong Govt is not entirely free from blame; ST & I was forewarned and merchants when unsuccessfully applying for export permission, threatened "to go to Macao," a frequent outburst by frustrated merchants who believe that thus they can put pressure on Govt.

ST & I could have stopped the private trade with Korea in spite of the Macao loophole but the Department chose, for reasons best known to themselves, to bide their time.

The potentialities of "Private Trade" with Korea, while the private trading bonanza lasted, eventually caught the imagination of some Chinese merchants intimately connected with the highest quarters in Canton.

An unconfirmed report some weeks ago had it that private trading with Korea is to start as from July 15. Another unconfirmed report had it that American official investigations carried out in Southern Korea may soon lead to the baring of scandals.

Whatever the future of resumption of private trading with Korea, the happenings during the last few months require more light and information. Respect for the law, in this case for the Trading with the Enemy Act, can be retroactively enforced and those residents of Hongkong irrespective of nationality who have transgressed the law can be brought to book.

(During 1947 articles and notes dealing with Korea appeared in our issues of Jan. 1, p. 2, Jan. 20, p. 59, Feb. 19, p. 99, Feb. 26, p. 108, May 21, p. 26, June 11, p. 74.)

Many Hongkong bankers and officials of commercial organisations are conferring with delegates from the SCIECB, Canton, both here and in Canton, hoping to convince the responsible executives to alter the import restrictions. Mr Chu Hwei-jih, Director of SCIECB, and other officials have arrived in Hongkong for urgent consultations lest all trade between Hongkong and South China, as far as legitimate and Customs recorded, come to a virtual standstill.

Although legitimate trade between here and Canton has dropped by 90 per cent in the past week, illegal "protective" business from here to Canton undertaken by certain "knowing-the-way" transportation companies has increased markedly, of course greater costs have to be borne by traders than were paid prior to the announcement of the new regulations by the SCIECB (June 30, 1947).

Local trading circles state that these "knowing-the-way" transportation companies have no difficulty in obtaining import permits from relevant authorities in Canton for any amount of goods of all types to be shipped into Kwangtung from here, provided that a 20-percent extra charge over the total import amount be paid for every permit.

Furthermore, traders will have to pay higher transportation charges on goods for Canton. Such charges, including Customs duties, average 15 to 20 per cent on ordinary goods and are as high as 100 per cent on luxuries. For instance, transportation charges on motorcar tyres have increased from \$90 to \$200 per tyre.

The monthly allocation of foreign currency quotas for the eight districts in South China for the period May to July was US\$100,000. Owing to the extreme insufficiency, the Nanking Govt have decided to increase the monthly quotas during the third quarter between August and October to US\$300,000 for the South China area.

Local commercial and industrial circles are of the opinion that the increase will hardly remedy the existing serious situation facing traders in South China. The total imports from Hongkong to South China in June amounted to an equivalent of about US\$4,500,000 (According to returns of the I. & E. Department, Hongkong exported HK\$21,921,090 worth of merchandise to S. China). Therefore, an allocation of US\$300,000 to registered S. China importers will only enable them to cover less than 10 per cent of what they actually require in one month judging from the actual amount they spent in June.

A partial increase in foreign currency quotas will undoubtedly reduce Chinese Government's foreign currency holdings and yet it will be hardly a remedial step for S. China's traders. The most practical measure

HONG KONG STOCK & SHARE MARKET

Share quotations showed an all round advance during the week under review (July 14-19) and there appears to be no lack of buyers for the popular counters. Money continues to be coming into the Colony from the North anxious to seek investment here. Most shares are now at their highest; any temporary decline proves to be shortlived and scrip is scarce, in many instances almost unprocurable. Current Company earnings are on the whole well maintained while profits made by several of our popular public companies are better than in the corresponding periods for last year. We cannot see any easing off, in fact the technical position is very sound and we expect prices will tend to improve.

Demand for Govt loans is quite strong, the 4 percent was traded at \$108½, the 3½ percent, ex Interest between \$101 to 101½.

Bank shares were slightly easier around \$2000, the local shares being trade cum, the London register ex interim dividend. Unions after being dealt in at 730 rose to 790 with several hundreds of shares changing hands at intermediate rates. H.K. Fires and Cantons remained quiet with practically no business being done.

Waterboats are almost unobtainable and buyers are prepared to pay \$37; the new shares quote \$1 less than the old ones. A large turnover in Docks brought the price up to 36. Wharves were taken up to 242½.

China Underwriters after staging a spectacular rise to \$4 reacted to \$2.70 with reticent buyers. A number of shares were delivered with the last call unpaid.

for the Chinese Government to adopt is to induce exporters to surrender more of their foreign currency earnings and to permit importers to finance themselves essential goods.

The present Canton import restrictions will help nobody but retard normal trade, divert more legitimate business into smuggling channels, cause shortage of raw materials for China's factories and bring less revenue to the Chinese Customs.

The hard-hit foreign paper importers in Canton cannot continue the supply following SCIECB's revised import regulations. The normal requirement of newsprint by 20 odd newspapers in Canton alone was about 300 tons every month. Under the SCIECB's restrictions, foreign paper importers are only able to bring in an average monthly supply of 50 tons of newsprint on their foreign currency quotas allocation.

Hotel shares did not ease off on the announcement of the disappointing dividend as many shareholders anticipated during the last few weeks a dividend of only \$1. Everybody is awaiting the Report and Accounts with much interest. The rumour still persists that a return of capital will be made which in our opinion would be imprudent in view of unknown future expenditure if the Company is to rebuild and develop its buildings in the Colony. The Hotel Co. has a great responsibility vis-a-vis the public and would be well advised to make plans for the modernisation of its hotels here and commence the construction of more facilities for accommodation and catering.

Tram shares continue to change hands in large numbers. It is unfortunate that the Company is using the bonus shares in large denominations which are difficult to negotiate; it only means the shares have to be returned to the Company's office for splitting in smaller scrips.

H.K. Lands and Humphreys were again in demand and continue with buyers offering 81½ and 25 respectively.

China Lights lacked support and were on offer at 17.60 with buyers interested at 17. Some rumours were in the market connecting China Lights with interests of H.K. Electrics which appear to be baseless.

The old Telephone shares were on offer from 50-48 at which rate buyers became interested. This share stood at 62 a few weeks ago. The new shares after touching 29 were bid up to 35 on rumours that the unpaid liability of \$7½ per share would be called up to provide for new capital expenditure; this would make them comparatively cheap in relation to the old shares. New Telephones closed easier at 34.

H.K. Ropes have sold their property for \$1.7 million which is equivalent to \$8½ a share.

The Cement factory is working at full capacity and shares improved to \$26 with Rights at 14½ to 15. The H.K. Government notification prohibiting the export of cement had a favourable effect on the market. We understand that the Cement Co. has not been exporting any cement as the local demand takes up all the output.

Dairy Farms continue to rise and so do Watsons and Lane Crawfords. Although department stores have not been doing recently as much business as earlier in the year, their turnover is still very good and profits should result in satisfactory dividends.

Current Payments

The 3½ percent Govt loan interest is payable as from July 15. Interest of the 4 percent loan will be payable as from August 1.

The Hongkong Bank's interim dividend of £2 nett, at 1/2-27/32, amounts to HK\$32.33684, and is payable as from August 11.

Current dividends: Wharves \$8; Hotels \$1; Wing Ons \$10.

New Share Issues: Wharves—one new for one old share at \$100; H.K. Lands—one new for 3 old at \$50, for Far Eastern residents payable by June 30, for residents elsewhere payable Sept. 30; Cements—one new for 2 old shares at \$10.

New Sharebrokers

Applications for membership at the Stock Exchange Ltd. have been sent in last week by: Mr H. R. Malcolm (38, Mody Rd) and Mr Benjamin Kwai-lan Lui (15, Bonham Rd). Seats of deceased members can only be obtained.

There is much interest among financial circles to obtain a seat at the Exchange and the current price offered is around \$50,000 (the price of a seat is officially \$30,000). Some established brokers have taken "friends" into their firms as partners or authorised clerks.

Sandakan Light & Power Co. (1922) Ltd.

In our issue of July 9, page 156, it was erroneously stated that the Company did not pay any dividends before the war. While it is correct that for the years 1934 to 1937 no dividends were paid, the Company paid both for 1938 and 1939 \$0.75 per share, and both for 1940 and 1941 \$1 per share.

HONGKONG COMPANY REPORTS

WILLIAM POWELL LTD.

The annual meeting of shareholders of the Company was held on July 16 when Accounts for the periods March 1, 1941 to February 28, 1947 were presented. Business in the pre-war period March 1 to Dec. 31, 1941 resulted in a net profit of \$44,705. Business for the period Jan. 1, 1942 to Feb. 28, 1946 resulted in a loss of \$261. Business for the period March 1, 1946 to February 28, 1947 resulted in a profit on working account of \$99,166, and a net profit of \$94,960. This amount plus the balance from previous Accounts, totalling \$140,602, was carried forward. No dividend was declared.

The Company's war losses were computed at \$111,993. The Company, carrying on a tailoring business in the Colony, owns no premises and stocks are negligible. While some Directors would prefer the expansion of business, renting of new premises and purchase of considerable stocks (mostly textile materials), others hold that the present arrangement with Lane Crawford Ltd. should be continued. Lane Crawford Ltd. own 50.8 percent (21,336 shares) of Powell's issued capital and have rented part of their premises to the tailors firm. The best arrangement appears to be the complete amalgamation of Powell with Lane Crawford. The issued capital of the Company amounts only to \$84,000 (42,000 shares of \$2); before the war a 30 cents dividend was paid.

The current market price is about \$5 per share thus valuing the Company at \$210,000; obviously the pre-war reputation of the tailoring firm contributing the biggest asset.

Directors: Mr F. C. Barry (chairman), Messrs E. M. Raymond, S. Hampden Ross and A. W. Brown.

IMPERIAL CHEMICAL INDUSTRIES

DISTRIBUTION OF CAPITAL

The ownership of Imperial Chemical Industries lies in the hands of a quarter of a million citizens of Britain. The Company has an issued capital in round figures of £74,500,000, representing 191,400 holdings. This capital is divided approximately into £50,000,000 of Ordinary stock spread over 144,490 holdings, and £24,000,000 of Preference stock in 68,114 holdings. More than 21,000 individuals hold stock in both categories. The amount held by persons with addresses outside Great Britain is only 1.28 per cent. of the total issued capital—a remarkably low percentage.

The number of holdings is not the same as the actual number of stockholders. For example, £13,000,000 of stock is held in 323 accounts by banks, trustees and insurance companies, which are obviously nominees for an unknown number of what are called "beneficial owners," whose names do not have to appear on the Company's books. A simple deduction shows, however, that 191,077 stockholders own between them £61,500,000 of stock—or an average of about £322 each. If to this figure of 191,077 the number of beneficial owners (roughly estimated at 60,000) is added, it is clear that I.C.I. is not only British-owned but owned by no fewer than 250,000 Britons.

HONGKONG STOCK EXCHANGE QUOTATIONS

	July 15	July 18	July 21
H.K. GOVT LOANS			
4% Loan	108½	108½	108½
3½% Loan	101¼	101	101
BANKS			
H.K. & S. Bank	2015	2020	1990
H.K. & S. Bank (Lon. Reg.)	£116½	115½	114½
Chartered Bank	£ 12-5/16	12¼	12½
Mercantile Bk. A. & B.	£ 22	22¾	22¾
Bank of East Asia	107	107	108
INSURANCES			
Canton Ins.	395	395	390
Union Ins.	725	800	820
China Underwriters	3.25	3.25	2.75
H.K. Fire Ins.	300	300	300
SHIPPING			
Douglases	245	245	245
H.K. & M. Steamboats	11	11	11
Indo China (Pref.)	101	101	101
Indo China (Def.)	379	379	379
Shells (Bearer)	105/-	107/6	110/-
Union Waterboats	34½	37	40
DOCKS, WHARVES, GODOWNS,			
H.K. & K. Wharves	255	250	250
H.K. Docks	36¼	36	36¾
China Providents	23	23	22½
S'hai Dockyards	11¾	12	11¾
MINING			
Raub Mines	7	7	7
H.K. Mines	6 c.	6 c.	6 c.
LANDS, HOTELS & BLDGS.			
H. & S. Hotels	24¾	24½	24½
H.K. Lands	80	81	82
S'hai Lands	5	5	3½
Humphreys Estates	24	25½	25
H.K. Realities	16½	16½	16
Chinese Estates	190	190	190
PUBLIC UTILITIES			
H.K. Tramways	26½	25½	26
Peak Trams (Old)	10½	10	10
Peak Trams (New)	4½	4½	4½
Star Ferries	119	120	121
Yaumati Ferries	31	31	31
C. Lights (Old)	17.80	17.80	17.50
C. Lights (New)	12.75	12.50	12.75
H.K. Electric	68	68½	69
Macao Electric	21	21	21
Sandakan Lights	13	13	13
Telephones (Old)	48½	48¾	48
Telephones (New)	35	33¾	33½
INDUSTRIALS			
Canton Ices	7¼	7¼	7¼
Cements	25½	25¾	26½
Cements		16	15½
H.K. Ropes	21	20¼	19¾
STORES &c.			
Dairy Farms	78	81½	82½
Watsons	63½	64½	67
Lane, Crawfords	42¼	47	48
Sinceres	9.30	9.10	9.20
China Emporium	14½	14¾	14¾
Sun Co., Ltd.	5½	5½	5½
Kwong Sang Hong	225	225	225
Wing On (H.K.)	125	125	125
Wm. Powell, Ltd.	5½	5	5½
MISCELLANEOUS			
China Entertainments	31½	32½	32½
H.K. Constructions (Old)	7½	7½	7½
H.K. Constructions (New)	6½	6½	6½
Vibro Piling	6½	6½	6½
Marsman Investments	13/3	13/3	13/3
Marsman, (H.K.)	1/6	1/6	1/6
COTTONS			
Ewos	7½	7¾	8

EXCHANGE RATES OF THE BANK OF ENGLAND

The following table of Exchange Rates gives the rate at which an exporter is able to convert proceeds of sales abroad into British currency, i.e., the rates are based on the selling quotations of foreign currencies. In the case of certain countries—a number in South America for example—it is impossible to give a single rate to cover all cases. The rates in the table

are as representative as possible but any qualifications in the foot-notes should be carefully observed. Where special surcharges on currency transactions are levied, these have been included so far as possible.

All rates are telegraphic transfer unless otherwise indicated. The information given in the third column on

the Exchange System is mainly of technical interest. Where Bank of England official rates apply, and for Sterling Area currencies, rates for forward transactions can normally be arranged even where a definite forward quotation is not indicated in the table—so long as the currency it is desired to sell will arise from genuine commercial transactions.

LATEST QUOTATION					LATEST QUOTATION				
Country	Unit	Exchange System	Rate	Approximate Equiv. per unit in British Currency	Country	Unit	Exchange System	Rate	Approximate Equiv. per unit in British Currency
Argentina	Paper peso	Special Account	16.62 ¹	14.4440d.	Japan	Private trading	not yet permitted		
Austria	Schilling	Austrian a/c	40 ⁴	6.0000d.	Java (N.E.I.)	Florin Dutch Account	10.70*	22.4300d.	
Australia	£A	Sterling Area	125½ ²	191.2350d.	Mexico	Peso American Account	19.65	12.2137d.	
Belgium	Franc	B. of E. Official	176½	1.3579d.	N. W. Indies	Florin B. of E. Official	7.62	31.4960d.	
Belgian Congo	Franc	Belgian Account	177	1.3559d.	New Zealand	£N.Z. Sterling Area	125	192.0000d.	
Bolivia	Boliviano	Special Account	171.25 ²	1.4015d.	Nicaragua	Cordoba American Account	22.35 ²	10.7383d.	
Brazil	Cruzeiro	Special Account	75.45	3.1809d.	Norway	Krone B. of E. Official	20.02	11.9880d.	
Bulgaria	Private trading	not yet permitted			Palestine	£P=1,000 Mills Sterling Area	100½ [†]	239.7004d.	
Canada	Dollar	B. of E. Official	4.04	59.4059d.	Panama	Dollar B. of E. Official	4.04	59.4059d.	
Chile	Peso	Special Account	101.35 ³	2.3680d.	Paraguay	Guarani Special Account	12.60	19.0476d.	
China	National Dollar		14,000 ⁴	0.0171d.	Peru	Sol Special Account	26.20 ⁶	9.1603d.	
Colombia	Peso	American Account	7.35 ²	32.6531d.	Poland	Zloti Polish a/c	403 ⁴	0.5955d.	
Costa Rica	Colon	American Account	22.65	10.5960d.	Portugal	Escudos E. of E. Official	100.20	2.3952d.	
Cuba	Peso	American Account	4.04	59.4059d.	Rumania	Private trading	not yet permitted		
Czechoslovakia	Krown	B. of E. Official	202	1.1881d.	Salvador	Colon American Account	10.17 ³	23.5988d.	
Denmark	Krone	B. of E. Official	19.36	12.4967d.	Siam	Tical Siam a/c	41	5.8537d.	
Ecuador	Sucre	American Account	56.58 ²	4.2418d.	Singapore	Dollar Sterling Area	2s. 4.1/16d.	28.0625d.	
Egypt	Piastre	Sterling Area	97½	2.4584d.	South Africa	£S.A. Sterling Area	100½ [†]	238.8060d.	
Finland	Finmark		555	0.43243d.	Spain	Peseta Special Account	44.00	5.4545d.	
France	Franc	B. of E. Official	480.30	0.4997d.	Sweden	Krona B. of E. Official	14.50	16.5517d.	
French Empire		B. of E. Official			Switzerland	Franc B. of E. Official	17.36	13.8249d.	
Germany	Private trading	not yet permitted			Syria and Lebanon	Piastre B. of E. Official	885	0.2712d.	
Greece	Drachma		20,080 ⁵	0.0119d.	Turkey	Piastre Turkish Account	1140	0.2105d.	
Holland	Florin (Guilder)	B. of E. Official	10.70	22.4299d.	U.S.S.R.	Rouble B. of E. Official	21.50	11.1628d.	
Honduras	Lempira	American Account	8.25	29.0909d.	U.S.A.	Dollar B. of E. Official	4.03½	59.4796d.	
Hong Kong	Dollar	Sterling Area	1s. 2.15/16d.	14.9375d.	Uruguay	Peso Special Account	7.209	33.2917d.	
Hungary	Forint	Hung. a/c	45.96 ⁴	5.1107d.	Venezuela	Bolivar American Account	13½ ³	17.4545d.	
Iceland	Kronur	Sterling Area	26¼	9.1428d.					
India		Sterling Area	1s. 5.15/16d.	17.9375d.					
Iran	Rial		130	1.8462d.					
Iraq	Dinar=1,000 Fils	Sterling Area	100½ [†]	239.7004d.	Canada	% cent	Sweden	1½ ore	
Italy	Lire		905	0.2651d.	France	40 centimes	Switzerland	1½ centimes	
					Holland	1 cent	U.S.A.	% cent	

FORWARD QUOTATION
(Discount 1 Month)

NOTES: ¹ Buenos Aires quotation.
⁵ Athens quotation.

² Including special charges. ⁸ Sight quotation. ⁴ Nominal quotation at present.
⁶ 90 day quotation. ⁷ Shanghai quotation. ⁸ For essential imports.

* Batavia quotation.

[†] per £100.